

Petroleum Company of Trinidad and Tobago Limited

Separate Financial Statements

30 September 2019

(Presented in Thousands of Trinidad and Tobago Dollars)

Petroleum Company of Trinidad and Tobago Limited

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Petroleum Company of Trinidad and Tobago Limited

Statement of Management Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Petroleum Company of Trinidad and Tobago Limited which comprise the statement of financial position as at 30 September 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting year;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.


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

The financial statements as at 30 September 2019 and for the year then ended have been prepared using a non-going concern basis of accounting due to the decision taken by the Board of Directors to cease operations. Accordingly, the Company's accounting policies have been adjusted to align with the non-going concern basis of preparation.

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



Manager
2, March 2022



Manager
2, March 2022



KPMG
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Independent Auditors' Report

To the Shareholders of The Petroleum Company of Trinidad and Tobago Limited Report on the Audit of the Separate Financial Statements

Qualified Opinion

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence over the expenses in the amount of \$0.309 billion and the carrying amount of related trade and other payables in the amount of \$0.233 billion that is contained within the caption trade and other payables that totalled \$1.178 billion, due to the inability of management to locate the supporting evidence from its repository of files or to obtain directly from the respective vendor. Consequently, we were unable to determine whether any adjustment to these amounts were necessary and any corresponding implications on expenses and accumulated deficit.



Basis for Qualified Opinion (continued)

The Company had at the beginning of the year assets held for distribution to owners in the amount of \$14.530 billion. As stated in note 12, these assets held for distribution to owners were fully distributed during the year to other entities ultimately controlled by the Government of the Republic of Trinidad and Tobago. We were unable to obtain sufficient appropriate audit evidence about the accuracy of a movement in the carrying amount of assets held for distribution to owners in the amount of \$8.421 million during the financial year, due to the inability of management to analyze and or reconcile this amount. Consequently, we were unable to determine whether any adjustments to this and other possible related financial statement captions were necessary.

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

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

Emphasis of Matters

We draw attention to Note 1 of these financial statements describes the restructuring that occurred amongst the Company and the incorporation of Trinidad Petroleum Holdings Limited (immediate parent entity), Heritage Petroleum Limited, Paria Fuel Trading Company Limited and Guaracara Refining Company Limited on 5 October 2018 by virtue of the Vesting Act. Our opinion is not modified in respect of these matters.

Emphasis of Matter – Prior period errors

We draw attention to Note 30 of these financial statements which indicates that the corresponding information presented as at and for the year ended 30 September 2018 has been restated. Our opinion is not modified in respect of this matter.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Retirement Benefits Obligation - Pension and Medical Obligation (Note 14 (a) and (b))	
<i>Description of the key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The restructuring of Petroleum Company of Trinidad was completed during the financial year and resulted in the termination of employment of all employees as at 30 November 2018. This resulted in significant changes to the actuarially determined obligations associated with the pension and medical plans.</p> <p>For both the fair value of the plan assets, as it pertains to the unquoted investments, and the actuarially determined obligations require the use of estimates and significant judgement and a small change in the assumptions can have a material impact on the financial statements.</p>	<p>Our audit procedures included the use of our Actuarial Specialists. The procedures carried out by our Specialist include:</p> <ul style="list-style-type: none"> • assessing the consistency of the methodology used and compared key assumptions to industry norms and specified external data sources; • testing the appropriateness of the discount rate assumptions used by reference to the yields available on risk-free government bonds and the duration of the scheme's liabilities; • testing the appropriateness of the base tables selected for use by management by reference to those provisionally adopted for the most recent actuarial valuation of the scheme and also market practice; • accessing corroborating data to obtain evidence that the assumptions used in calculating the pension scheme liabilities and mortality rate assumptions, were consistent with relevant national and industry benchmarks;



Key Audit Matters (continued)

Retirement Benefits Obligation - Pension and Medical Obligation (Note 14 (a) and (b)) (continued)	
<i>Description of the key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The key assumptions to which the liability is most sensitive, and to which we therefore paid particular attention in evaluating the valuation of the net deficit, were:</p> <ul style="list-style-type: none"> - Discount rate: the discount rate is set with reference to the yield on Government bonds with terms appropriate to the duration of the liabilities; - Mortality: Scheme specific base tables should be used with an allowance for future improvements in life expectancy based on recent projections. These projections will depend on future expectations of improvements in life expectancy and are therefore uncertain. 	<p>Our audit procedures also included:</p> <ul style="list-style-type: none"> • assessing the independence and competence of the actuaries engaged by the Group. • obtaining details of the measurement of fair value for assets with no observable inputs. Such assets were typically corporate and government bonds. We obtained credit ratings and constructed yield curves against which we compared Management's valuations. <p>No material exceptions were noted as part of our testing.</p>



Key Audit Matters (continued)

Income Tax Expense - Deferred Tax Assets (Note 8 (c))	
<i>Description of the key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The transfer of assets to the newly formed entities within the TPHL Group gave rise to a significant taxable gain for which Management sought to obtain approval from the taxation authority to have the gain offset against the existing tax losses. The inappropriate offsetting of the losses against the tax gain can result in the inaccuracy of the unutilized tax losses and invariably the accuracy of the deferred tax asset.</p>	<p>Our audit procedure included:</p> <p>Assessing whether the deferred tax asset was appropriately accounted for by reviewing the recognition of deferred tax asset to ensure appropriate application of the relevant accounting standard in determining the amount recognized as the deferred tax asset.</p> <p>No material exceptions were noted as part of our testing.</p>
Financial Risk Management – Expected Credit Loss (Note 4 (a)(iii))	
<i>Description of the key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 30 September 2019, the Company's gross trade receivables were significant.</p> <p>The allowances for doubtful debts are based on the Company's estimate of the expected credit losses to be incurred, which is estimated by taking into account the credit history of the Company's customers and current market and customer-specific conditions, all of which involve a significant degree of judgement.</p>	<p>Our audit procedures to assess the recoverability of trade debtors included engaging the use of our specialist to assess the application of relevant accounting standards and also undertake the following:</p> <ul style="list-style-type: none"> • assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery note.



Key Audit Matters (continued)

Financial Risk Management – Expected Credit Loss (Note 4 (a)(iii)) (continued)	
<i>Description of the key audit matter</i>	<i>How the matter was addressed in our audit</i>
	<ul style="list-style-type: none">• comparing, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivables balances as at 30 September 2019 with bank statements and relevant remittance documentation <p>No material exceptions were noted as part of our testing.</p>

Other Information

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

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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.



Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

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.

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

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

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

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



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

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

A handwritten signature of 'KPMG' in blue ink, appearing to be written on a light blue background.

Chartered Accountants

Port of Spain
Trinidad and Tobago
March 2, 2022

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Statement of Financial Position

(Presented in Thousands of Trinidad and Tobago Dollars)

		As at 30 September		
	Note	2019 \$	2018 (Restated)* \$	2017 (Restated)* \$
Assets				
Non-current assets				
Property, plant and equipment	5	67,686	73,237	18,707,264
Intangible assets		--	--	4,703,422
Investment in subsidiaries	7 a.	1,503	1,503	2,227
Financial assets at fair value through profit or loss	6 a.	202	--	--
Available for Sale	6 b.	--	1,340	24,029
Deferred income tax assets	8 c.	33,636	4,971,061	11,421,212
Income taxes recoverable	2.3a, 8 e.	773,435	530,506	530,506
Cash in escrow - shareholder		--	--	211,948
		<u>876,462</u>	<u>5,577,647</u>	<u>35,600,608</u>
Current assets				
Inventories	9	400	400	2,131,156
Due from related parties	2.3 a.	447,128	2,331,074	1,037,389
Receivables & prepayments	10	15,931	744,123	1,311,123
Financial assets at amortised cost	11 e.	133,861	--	--
Cash and cash equivalents	11	224,228	400,088	798,942
Assets classified as held for distribution to owners	12	--	14,530,050	--
		<u>821,548</u>	<u>18,005,735</u>	<u>5,278,610</u>
Total assets		<u>1,698,010</u>	<u>23,583,382</u>	<u>40,879,218</u>

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Statement of Financial Position (continued)

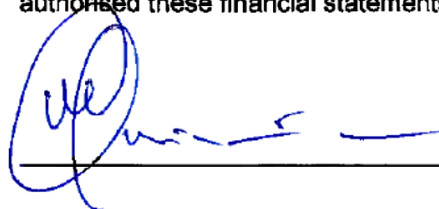
(Presented in Thousands of Trinidad and Tobago Dollars)

		2019	As at 30 September 2018 (Restated)*	2017 (Restated)*
	Note	\$	\$	\$
Equity and liabilities				
Equity attributable to owners of the parent				
<i>Capital and reserves</i>				
Share capital	13	2,272,274	2,272,274	2,272,274
Accumulated deficit		(24,074,047)	(15,366,398)	1,198,473
Currency translation differences	4c.	--	590,495	512,931
Total equity		<u>(21,801,773)</u>	<u>(12,503,629)</u>	<u>3,983,678</u>
Non-current liabilities				
Borrowings	16	336,638	--	7,384,200
Provisions	18	--	--	3,577,739
Deferred income tax liabilities	8 c.	33,636	4,971,061	10,212,648
Retirement benefit obligation – pension benefits	14 a.	427,900	84,400	734,200
Retirement benefit obligation – medical benefits	14 b.	39,400	130,200	2,536,700
		<u>837,574</u>	<u>5,185,661</u>	<u>24,445,487</u>
Current liabilities				
Trade and other payables	15	1,177,835	5,006,697	4,034,107
Due to related parties	2.3 b.	12,032,836	2,854,296	1,552,683
Current tax liabilities	8f.	6,943,734	3,916,021	2,621,687
Current portion of long-term borrowings	16	--	7,424,608	417,687
Short-term loans	17	2,480,792	3,418,351	3,819,316
Provisions	18	27,012	36,861	4,573
Liabilities held for distribution to owners	12	--	8,244,516	--
		<u>22,662,209</u>	<u>30,901,350</u>	<u>12,450,053</u>
Total liabilities		<u>23,499,783</u>	<u>36,087,011</u>	<u>36,895,540</u>
Total equity and liabilities		<u>1,698,010</u>	<u>23,583,382</u>	<u>40,879,218</u>

*Refer to Note 30 for the details of 2018 and 2017 restatements.

The notes on pages 15 to 116 are an integral part of these financial statements.

On 02 March 2022, the Board of Directors of Petroleum Company of Trinidad and Tobago Limited authorised these financial statements for issue.



Director



Director

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Statement of Comprehensive Income

(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	Year ended 30 September	
		2019 \$	2018 (Restated) \$
Discontinued Operations			
Revenue	19	2,891,094	24,535,898
Cost of sales	20	<u>(3,618,322)</u>	<u>(38,700,839)</u>
Gross Loss		(727,228)	(14,164,941)
Administrative expenses	20	(5,387,371)	(190,375)
Marketing expenses	20	(25,693)	(151,181)
Other operating expense	20	(7,422)	(20,867)
Impairment (loss) / write-back related to investments	21	(1,138)	45,561
Other operating income	22	<u>225,946</u>	<u>177,611</u>
Operating Loss		(5,922,906)	(14,304,192)
Finance income	23	1,516	2,009
Finance costs	23	<u>(363,626)</u>	<u>(1,058,497)</u>
Net finance costs		<u>(362,110)</u>	<u>(1,056,488)</u>
Loss before tax		(6,285,016)	(15,360,680)
Income tax expense	8 a.	<u>(2,597,046)</u>	<u>(1,527,191)</u>
Loss for the year		(8,882,062)	(16,887,871)
Other comprehensive income			
Items that will never be reclassified to profit or (loss)			
Currency translation differences	4 c.	(43,882)	77,564
Re-measurements experience adjustments on retirement obligation – pension benefits	14 a.	(362,400)	8,700
Re-measurements experience adjustment on retirement benefit obligation – medical benefits	14 b.	<u>(9,800)</u>	<u>314,300</u>
Other comprehensive (loss)/income		<u>(416,082)</u>	<u>400,564</u>
Total comprehensive loss		<u><u>(9,298,144)</u></u>	<u><u>(16,487,307)</u></u>

The notes on pages 15 to 116 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Statement of Changes in Equity

(Presented in Thousands of Trinidad and Tobago Dollars)

	Share capital \$	Currency translation differences \$	Accumulated deficit \$	Total \$
Year ended 30 September 2019				
Balance at 30 September 2018 (Restated)	2,272,274	590,495	(15,366,398)	(12,503,629)
Loss for the year	--	--	(8,882,062)	(8,882,062)
Other comprehensive income:				
Currency translation differences	--	(43,882)	--	(43,882)
Re-measurements experience adjustments on defined benefit asset (pension)	--	--	(362,400)	(362,400)
Re-measurements experience adjustments on defined benefit obligation (medical)	--	--	(9,800)	(9,800)
Currency translation difference transferred to Accumulated Deficit (Note 4c (1))	--	(546,613)	546,613	--
Total other comprehensive (loss)/income	--	(590,495)	174,413	(416,082)
Total comprehensive loss for the year	--	(590,495)	(8,707,649)	(9,298,144)
Balance at 30 September 2019	<u>2,272,274</u>	<u>--</u>	<u>(24,074,047)</u>	<u>(21,801,773)</u>
Year ended 30 September 2018				
Balance at 30 September 2017 (Restated) (Note 30 (i))	2,272,274	512,931	1,198,473	3,983,678
Loss for the year (Restated)	--	--	(16,887,871)	(16,887,871)
Other comprehensive income:				
Currency translation differences	--	77,564	--	77,564
Re-measurements experience adjustments on defined benefit asset (pension)	--	--	8,700	8,700
Re-measurements experience adjustments on defined benefit obligation (medical)	--	--	314,300	314,300
Total other comprehensive (loss)/income	--	77,564	323,000	400,564
Total comprehensive income/(loss) for the year	--	77,564	(16,564,871)	(16,487,307)
Balance at 30 September 2018 (Restated)	<u>2,272,274</u>	<u>590,495</u>	<u>(15,366,398)</u>	<u>(12,503,629)</u>

The notes on pages 15 to 116 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Statement of Cash Flows

(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	Year ended 30 September	
		2019	2018
		\$	(Restated) \$
Cash flows from operating activities			
Cash generated from operations	11 c.	<u>27,279</u>	<u>1,934,504</u>
Net cash generated from operating activities		<u>27,279</u>	<u>1,934,504</u>
Cash flows from investing activities			
Payments for property, plant and equipment	5	(210)	(598,025)
Amounts deposited to shareholder escrow account		--	(31,618)
Recovery on loans to related parties		--	68,782
Investment in jointly controlled entity		--	(439)
Disbursements of loans to related parties		--	(496)
Financial assets at amortised cost		(133,861)	--
Interest received		<u>1,638</u>	<u>1,809</u>
Net cash used in investing activities		<u>(132,433)</u>	<u>(559,987)</u>
Cash flows from financing activities:			
Proceeds from short-term loans		1,471,563	(8,031,174)
Proceeds from shareholder loan		1,200,000	--
Repayments of short-term loans		(2,064,964)	7,628,894
Repayments of long-term borrowings		(195,641)	(391,281)
Interest paid		<u>(420,316)</u>	<u>(929,626)</u>
Net cash used in financing activities		<u>(9,358)</u>	<u>(1,723,187)</u>
Currency translation differences relating to cash and cash equivalents		<u>(61,348)</u>	<u>(4,430)</u>
Decrease in cash and cash equivalents		<u>(175,860)</u>	<u>(353,100)</u>
Cash and cash equivalents at start of year		400,088	798,942
Less: Amounts held for distribution*		<u>--</u>	<u>(45,754)</u>
Cash and cash equivalents at end of year		<u><u>224,228</u></u>	<u><u>400,088</u></u>

Restricted cash of TT\$ 140,695 is included in the cash and cash equivalent balance as at 30 September 2019 (refer to Note 11 (d)).

* Refer to Note 12

The notes on pages 15 to 116 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

1 Reporting Entity

Effective 30 November 2018, Petroleum Company of Trinidad and Tobago Limited (“PETROTRIN” or “the Company”) ceased operating as an integrated petroleum company and its Exploration and Production (E&P) and Refining and Marketing (R&M) assets and associated liabilities were vested in newly incorporated entities namely Heritage Petroleum Company Limited (Heritage), Paria Fuel Trading Company Limited (Paria) and The Guaracara Refining Company Limited (Guaracara) respectively. The sole shareholder is Trinidad Petroleum Holdings Limited (TPHL). This was in accordance with a vesting order issued by the Government of the Republic of Trinidad and Tobago (GORTT) who is the Ultimate Parent. The registered office was located at the Administration Building, Southern Main Road, Pointe-a-Pierre, Trinidad and Tobago, West Indies. Subsequent to year end, the registered office of PETROTRIN changed to 9 Queen’s Park West, Port of Spain, Trinidad and Tobago, West Indies.

a. *Investment in Subsidiaries*

The Company’s subsidiaries as at 30 September 2019 consists of TRINMAR Limited (Trinmar), PETROTRIN EAP Services Limited (PEAPSL) and World GTL Trinidad Limited (WGTL-TL). Refer to Note 7 (a).

These Parent Company Financial Statements are prepared solely for statutory purposes and do not reflect the consolidation of its Subsidiary Companies. The Company’s consolidated accounts, of which this Company as parent forms a part are presented separately in the TPHL consolidated financial statements (refer to note 28 (a)).

b. *Principles of consolidation and equity accounting*

Investments – Subsidiaries and Interest in equity-accounted investees

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). In the financial statements, subsidiary undertakings – entities controlled by the Company are accounted for using the equity method (see (v)) and are recognised initially at cost.

i. *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Investments in subsidiaries are accounted for at cost less impairment. Refer to Note 7 (a) for investment in subsidiaries.

ii. *Interests in equity-accounted investees*

The Company’s interests in equity-accounted investees comprise interests in associates and joint ventures. Refer to Note 7 (c) for interests in joint ventures.

iii. *Associates*

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

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(Presented in Thousands of Trinidad and Tobago Dollars)

1 Reporting Entity (continued)

c. Principles of consolidation and equity accounting (continued)

iv. Joint arrangements

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

Joint operations

PETROTRIN recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in Note 7(c).

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (e) below), after initially being recognised at cost in the balance sheet.

v. Equity method

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

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

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

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

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2 Transactions with Related Parties

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

PETROTRIN 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 GORTT.

Most significant transactions concern:

- Purchase of natural gas from The National Gas Company of Trinidad and Tobago Limited, sales of refined products to Trinidad and Tobago National Petroleum Marketing Company Limited and subsidy on sales of products to United Independent Petroleum Company Limited (refer to note 2.2).
- The exploration for and production of crude oil and natural gas through joint arrangements (refer to note 7 (c)).
- Payment of restructuring costs and cash advances on behalf of Paria Fuel Trading Company Limited of \$ 460,589 (refer to note 2.3 (a)).
- Payment of restructuring cost on behalf of Heritage Petroleum Company Limited of \$ 22,582 (refer to note 2.3 (b)).
- Cash advance and interest by Heritage Petroleum Company Limited on behalf of PETROTRIN of \$ 841,599 (refer to note 2.3 (b)).
- Transfer of assets and liabilities directly associated with the vesting of E&P and R&M activities as directed by the vesting order (refer to note 12).
- Payment on behalf of The Guaracara Refining Company Limited in respect of certain cost \$ 37,996 (refer to note 2.2).
- Payment on behalf of Trinidad Petroleum Holdings Limited in respect of administration costs of \$21,479 (refer to note 2.2).
- Transfer of loan to Trinidad Petroleum Holdings Limited (refer to note 16).

These transactions are as follows:

2.1 Key management personnel compensation

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

	2019	2018
	\$	\$
Short – term employee benefits	--	8,204
Long – term employee benefits	--	526
Director's Fees	<u>715</u>	<u>1,360</u>
	<u>715</u>	<u>10,090</u>

During financial year 2018, the management of the Company was terminated, and executive directors were appointed to manage the Company's affairs. As a result of this decision, there were no short-term or long-term benefits paid to key management during financial year 2019.

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Notes to the Financial Statements

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2 Transactions with Related Parties (continued)

2.2 Sales and purchases of goods and services	2019	2018
	\$	\$
Purchases of services from GORTT		
Taxes and royalties	275,512	676,479
- Taxes other than income taxes	44,523	271,924
Purchases of various goods from entities under common control		
- Trinidad and Tobago National Petroleum Marketing Company Limited	2,521	12,532
- The National Gas Company of Trinidad and Tobago Limited	97,805	453,192
	<u>420,361</u>	<u>1,414,127</u>
Sales of various goods to entities under common control		
- Trinidad and Tobago National Petroleum Marketing Company Limited	934,055	4,458,445
Sales of various services to entities under common control		
- The Guaracara Refining Company Limited	37,996	--
- Trinidad Petroleum Holdings Limited	21,479	--
- Trinidad and Tobago National Petroleum Marketing Company Limited	434	40,864
	<u>993,964</u>	<u>4,499,309</u>

2.3 Outstanding balances arising from sales/purchases of goods and services

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

a. Due from related parties	2019	2018
	\$	\$
GORTT – Subsidy receivable	<u>130,350*</u>	<u>1,820,625*</u>

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Notes to the Financial Statements

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2 Transactions with Related Parties (continued)

2.3 Outstanding balances arising from sales/purchases of goods and services (continued)

a. Due from related parties (continued)	2019 \$	2018 \$
Other receivables (GORTT)	--	24,685
Paria Fuel Trading Company Limited	315,000	15,524
Heritage Petroleum Company Limited	--	18,442
PETROTRIN EAP Services Limited	1,776	1,776
World GTL Trinidad Limited	--	4,804
Joint ventures	--	174,779
Trintomar	2	182
<i>Entities under common control:</i>		
Trinidad and Tobago National Petroleum Marketing Company Limited	--	270,257
	447,128	2,331,074
GORTT		
Income taxes recoverable (note 8 (e))	773,435	530,506
	<u>1,220,563</u>	<u>2,861,580</u>

* Includes Subsidy receivable which is paid to PETROTRIN after remittance by GORTT to Trinidad and Tobago National Petroleum Marketing Company Limited and United Independent Petroleum Marketing Company Limited.

b. Due to related parties	2019 \$	2018 \$
Trinidad Petroleum Holdings Limited (Loan) (note 16 (b))*	6,826,071	--
Trinidad Petroleum Holdings Limited (Shareholder Debt repayment) (note 16 (b))	1,200,000	--
PETROTRIN EAP Services	2,436	36
Joint ventures	--	108,132
Trinidad Petroleum Holdings Limited	789	--
Heritage Petroleum Company Limited	913,722	--
GORTT		
– Royalties	1,286,870	992,575
– Taxes other than income taxes	1,703,938	1,646,999
<i>Entities under common control:</i>		
Trinidad and Tobago National Petroleum Marketing Company Limited	1,247	1,074
The National Gas Company of Trinidad and Tobago Limited	97,763	105,480
	12,032,836	2,854,296
GORTT - Taxes (Note 8 (f))	6,943,734	3,916,021
	<u>18,976,570</u>	<u>6,770,317</u>

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2 Transactions with Related Parties (continued)

2.3 Outstanding balances arising from sales/purchases of goods and services (continued)

b. Due to related parties (continued)

The above payables and receivables balances are unsecured, interest free and repayable on demand. The balance due to TPHL relates to (a) Petrotrin's 2019 and 2022 Notes which were transferred to TPHL on 30 November 2018 and (b) The Shareholder loan which was settled by TPHL on behalf of PETROTRIN on 28 June 2019.

3 Critical Estimates, Assumptions and Judgements

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. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

The areas involving significant estimates or judgements are:

- Estimation of income taxes including the tax calculation on the balancing charge arising from the vesting of assets to related entities and deferred income taxes– Note 8
- Estimation of the assessment of impairment of property, plant and equipment – Note 5
- Estimation of decommissioning and environmental obligation – Note 18
- Estimation of forward-looking assumptions under IFRS 9 – Note 10
- Estimation of Post-Retirement obligations: Medical and Pensions – Note 14

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 Company 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
- b. Liquidity risk
- c. Market risk
- d. Capital risk management
- e. Financial instruments by category

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.

(i) *Risk management*

Credit risk is managed on an entity by entity basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB' are accepted. Cash and deposits are held with a number of reputable financial institutions, in amounts varying between TT\$ 4 and TT\$ 41,314 and US\$ 239 and US\$ 3,212.

During 2019, the risk exposure for the Company is the failure of non - payments of its receivable balances owed by customers and related parties. All efforts were made to ensure these residual amounts were collected and this will continue into 2020.

(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:

	2019 \$	2018 \$
Cash at bank	<u>224,228</u>	<u>400,088</u>

Trade receivables

All counterparties below do not have external credit ratings.

Group 1 – Fully performing.

Group 2 – Past due.

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

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 \$
As at 30 September 2019					
Financial assets at fair value through profit or loss	202	--	--	--	202
Cash and cash equivalents	224,228	--	--	--	224,228
Due from related parties	315,000	132,128	5,879,408	(5,879,408)	447,128
Receivables and prepayments (excluding prepayments)	--	8,294	352,216	(352,216)	8,294
	<u>539,430</u>	<u>140,422</u>	<u>6,231,624</u>	<u>(6,231,624)</u>	<u>679,852</u>

	Fully performing \$	Past due \$	Impaired \$	Provision for impairment \$	Total \$
As at 30 September 2018					
Available for sale	1,340	--	--	--	1,340
Cash and cash equivalents	400,088	--	--	--	400,088
Due from related parties	1,414,087	916,987	544,460	(544,460)	2,331,074
Receivables and prepayments (excluding prepayments)	-	641,807	180,741	(180,741)	641,807
	<u>1,815,515</u>	<u>1,558,794</u>	<u>725,201</u>	<u>(725,201)</u>	<u>3,374,309</u>

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

The Company recognises provision for losses for assets subject to credit risk using the expected credit loss model (Refer to Note 10).

The Company uses the following approaches in arriving at expected losses

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

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4 Financial Risk Management (continued)

a. Credit risk (continued)

(iii) Exposure to credit risk (continued)

The simplified approach

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

The general approach

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

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

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

Incorporation of forward-looking information

Historical loss rates for trade receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Assets written off

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

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4 Financial Risk Management (continued)

a. Credit risk (continued)

(iii) Exposure to credit risk (continued)

Summary of ECL calculations

The simplified approach (trade receivables)

A summary of the assumptions underpinning the Company's expected credit loss model under the simplified approach is further analysed below showing:

- Specific provisions
- General provisions using a standardised provision matrix

	2019 \$	2018 \$
<i>Specific provision</i>		
Gross carrying amounts	6,711,404	3,886,714
Less provision	<u>(6,248,345)</u>	<u>(811,519)</u>
Total Receivables including amounts due from Related Parties	<u>463,059</u>	<u>3,075,195</u>
Opening loss allowance as at 1 October 2018		
– calculated under IFRS 9	(811,519)	(387,096)
Prior year adjustment*	--	(86,319)
Write back of prior year provision	--	50,510
Increase in loss allowance recognised in profit or loss during the year	(5,436,956)	(387,369)
Exchange adjustment	<u>130</u>	<u>(1,245)</u>
Balance at end of year	<u>(6,248,345)</u>	<u>(811,519)</u>

*This related to a provision for bad and doubtful debts which was incorrectly treated at the gross carrying amount for receivables in the prior year.

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 the Board of Directors 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 cash flow forecasting. The Company's management 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 years at the statement of financial position to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Contractual cash flows				Carrying amount \$
	< 1 year \$	1-2 years \$	2-5 years \$	Total contractual cash flows \$	
As at 30 September 2019					
Borrowings	--	(362,639)	--	(362,639)	(336,638)
Trade and other payables	(1,177,835)	--	--	(1,177,835)	(1,177,835)
Due to related parties (excluding statutory liabilities)	(9,042,028)	--	--	(9,042,028)	(9,042,028)
Short term loans	(2,555,922)	--	--	(2,555,922)	(2,480,792)
Total	(12,775,785)	(362,639)	--	(13,138,424)	(13,037,293)

	Contractual cash flows				Carrying amount \$
	< 1 year \$	1-2 years \$	2-5 years \$	Total contractual cash flows \$	
As at 30 September 2018					
Borrowings	(6,800,533)	(489,507)	(905,719)	(8,195,759)	(7,424,608)
Trade and other payables	(5,006,697)	--	--	(5,006,697)	(5,006,697)
Due to related parties (excluding statutory liabilities)	(214,722)	--	--	(214,722)	(214,722)
Short term loans	(3,512,242)	--	--	(3,512,242)	(3,418,351)
Total	(15,534,194)	(489,507)	(905,719)	(16,929,420)	(16,064,378)

c. Market risk

- (i) Foreign exchange risk
- (ii) Price risk
- (iii) Interest rate
- (iv) Fair value risk

(i) Foreign exchange risk

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

For the months of October and November 2018, the functional currency of the Company's cash flows was the United States dollar (USD). Subsequent to the restructuring on 30 November 2018 the Company's functional currency was assessed to be the Trinidad and Tobago dollar (TTD). The functional values of the trial balance were translated to TTD using the Central Bank of Trinidad and Tobago mid-point rate on 30 November 2018.

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Notes to the Financial Statements

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4 Financial Risk Management (continued)

c. Market risk (continued)

(i) Foreign exchange risk (continued)

The translated values were rolled forward on 01 December 2018 as the opening values for the Company's trial balance. All previously recorded translation differences were transferred from currency differences to accumulated deficit.

There are no future commercial transactions as the Company is no longer trading.

At year-end there were still certain monetary assets and liabilities denominated in foreign currencies.

	Note	As at 30 September 2019			Total
		TT\$	Other	US\$	
Assets					
Income tax recoverable	8 e	773,435	--	--	773,435
Receivables (excluding prepayments)	10	8,294	--	--	8,294
Due from related parties	2.3 a	447,128	--	--	447,128
Cash and cash equivalents	11	201,001	--	23,227	224,228
Financial assets		<u>1,429,858</u>	<u>--</u>	<u>23,227</u>	<u>1,453,085</u>
Liabilities					
Borrowings	16	--	--	(336,638)	(336,638)
Trade and other payables	15	(986,044)	(8,020)	(183,771)	(1,177,835)
Due to related parties	2.3 b	(2,719,895)	--	(9,312,941)	(12,032,836)
Current tax liabilities	8 f	(6,943,734)	--	--	(6,943,734)
Short term loans	17	--	--	(2,480,792)	(2,480,792)
Financial liabilities		<u>(10,649,673)</u>	<u>(8,020)</u>	<u>(12,314,142)</u>	<u>(22,971,835)</u>
Net currency exposure		<u>(9,219,815)</u>	<u>(8,020)</u>	<u>(12,290,915)</u>	<u>(21,518,750)</u>
Reasonably possible change in exchange rate		--	5%	5%	5%
Effect on loss after tax		<u>--</u>	<u>(401)</u>	<u>(614,546)</u>	<u>(614,947)</u>

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

4 Financial Risk Management (continued)

c. Market risk (continued)

(i) Foreign exchange risk (continued)

	Note	As at 30 September 2018			Total
		TT\$	Other	US\$	
Assets					
Income tax recoverable	8 e	530,506	--	--	530,506
Due from related parties	2.3 a	2,331,074	--	--	2,331,074
Receivables (excluding prepayments)	10	115,292	--	528,122	643,414
Cash and cash equivalents	11	89,184	--	310,904	400,088
Financial assets		<u>3,066,056</u>	<u>--</u>	<u>839,026</u>	<u>3,905,082</u>
Liabilities					
Borrowings	16	--	--	(7,424,608)	(7,424,608)
Trade and other payables	15	(130,165)	(14,872)	(4,861,660)	(5,006,697)
Due to related parties	2.3 b	(1,207,297)	--	(1,646,999)	(2,854,296)
Current tax liabilities	8 f	(3,916,021)	--	--	(3,916,021)
Short term loans	17	--	--	(3,418,351)	(3,418,351)
Financial liabilities		<u>(5,253,483)</u>	<u>(14,872)</u>	<u>(17,351,618)</u>	<u>(22,619,973)</u>
Net currency exposure		<u>(2,187,427)</u>	<u>(14,872)</u>	<u>(16,512,592)</u>	<u>(18,714,891)</u>
Reasonably possible change in exchange rate		5%	5%	--	5%
Effect on loss after tax		<u>(109,372)</u>	<u>(744)</u>	<u>--</u>	<u>(110,116)</u>

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Notes to the Financial Statements

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4 Financial Risk Management (continued)

c. Market risk (continued)

(ii) Price risk

The Company was exposed to fluctuations in the prices of liquefied natural gas (LNG) sales and crude oil sold at market prices for the months of October and November 2018.

Effective 1 December 2018 PETROTRIN was no longer involved in upstream activities due to the restructuring and as a result these activities were transferred to HPCL, which meant that the Company would no longer be subject to price risk.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company is exposed to cash flow or market interest rate risk mainly on its short-term bank deposits and loans. These transactions are negotiated at fixed rates but are subject to repricing risk. Short-term deposits were repriced daily in 2019 and 2018, while bank borrowings had maturities of 180-730 days in 2019 (2018: 30-360 days).

The interest rate profile of the Company's interest-bearing financial instruments is illustrated below:

	As at 30 September	
	2019	2018
	\$	\$
Fixed rate instruments		
Financial assets	202	1,340
Financial liabilities	<u>(109,071)</u>	<u>(9,627,554)</u>
	<u>(108,869)</u>	<u>(9,626,214)</u>
Variable rate instruments		
Financial assets	224,228	400,088
Financial liabilities	<u>(2,708,359)</u>	<u>(1,215,405)</u>
	<u>(2,484,131)</u>	<u>(815,317)</u>

The following table shows the sensitivity of Company results over the next year, all other variables constant, to a change in interest rates by +/- 1%:

	Effect on profit after tax Year ended 30 September	
	2019	2018
	\$	\$
Change in interest rate:		
Increase by 1%	(24,841)	(8,153)
Decrease by 1%	24,841	8,153

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(Presented in Thousands of Trinidad and Tobago Dollars)

4 Financial Risk Management (continued)

c. Market risk (continued)

(iv) Fair value risk

Short term loans are due within twelve months therefore any fair value adjustment arising from discounting would be considered minimal.

One short-term loan was refinanced on 20 September 2019 for two (2) years. The principal balance on this loan was therefore reclassified from short-term loans to borrowings in financial year ended 30 September 2019. The fair value of this loan was \$ 331,986 (Refer to Note 16).

d. Capital risk management

The Company is no longer a going concern and has a nil gearing ratio.

Prior to the reorganisation as described in Note 1, PETROTRIN's debt portfolio included two (2) Senior Unsecured 144A and Reg S series international bonds, namely, a US\$750 million amortizing bond maturing on 08 May 2022 (2022 Notes) and a US\$850 million bullet bond maturing on 14 August 2019 (2019 Notes). As part of the reorganization, Supplemental Indentures for the 2022 Notes and 2019 Notes were executed on 30 November 2018, transferring PETROTRIN's obligations under the original indentures from PETROTRIN to TPHL. These loans were refinanced in June 2019 with Heritage, Guaracara, and Paria being the Guarantors. Treasury Management is thus based on the way financing is managed at the overall TPHL Group level.

The gearing ratios as at 30 September were as follows:

	2019	2018
	\$	(Restated) \$
Net debt	2,593,202	10,442,871
Total equity	<u>(21,801,773)</u>	<u>(12,503,629)</u>
Total capital	<u>(19,208,571)</u>	<u>(2,060,758)</u>
Gearing ratio	<u>---%</u>	<u>---%</u>
Cash and cash equivalents	(224,228)	(400,088)
Short term loans and borrowings	<u>2,817,430</u>	<u>10,842,959</u>
Net debt	<u>2,593,202</u>	<u>10,442,871</u>

Petroleum Company of Trinidad and Tobago Limited

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4 Financial Risk Management (continued)

d. Capital risk management (continued)

	Liabilities from financing activities		
	Cash and Cash equivalents \$	Short term loans and borrowings \$	Total \$
Net debt as at 30 September 2018	400,088	(10,842,959)	(10,442,871)
Proceeds from short term loans	1,471,563	(1,471,563)	--
Proceeds from shareholder loan	1,200,000	(1,200,000)	--
Repayments of short term loans	(2,064,964)	2,064,964	--
Repayments of long term loans	(195,641)	195,641	--
Interest paid	(420,316)	--	(420,316)
Net cash used in investing activities	(132,433)	--	(132,433)
Net cash generated from operating activities	27,279	--	27,279
Foreign exchange adjustments	(61,348)	407,559	346,211
Movement in prepaid borrowing costs	--	2,857	2,857
Loan transfer to TPHL (Note 2.3 (b))	--	6,826,071	6,826,071
Shareholder loan repaid by TPHL	--	1,200,000	1,200,000
Net debt as at 30 September 2019	224,228	(2,817,430)	(2,593,202)

	Liabilities from financing activities		
	Cash and Cash equivalents \$	Short term loans and borrowings \$	Total \$
Net debt as at 30 September 2017	798,942	(11,621,203)	(10,822,261)
Proceeds from short term loans	7,628,894	(7,628,894)	--
Repayments of short term loans	(8,031,174)	8,031,174	--
Repayments of long term loans	(391,281)	391,281	--
Interest paid	(929,626)	--	(929,626)
Net cash used in investing activities	(559,987)	--	(559,987)
Net cash generated from operating activities	1,934,504	--	1,934,504
Foreign exchange adjustment	(4,430)	(15,317)	(19,747)
Other changes	(45,754)	--	(45,754)
Net debt as at 30 September 2018	400,088	(10,842,959)	(10,442,871)

e. Financial Instruments by category

Loans and receivables

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

	2019 \$	2018 \$
Receivables and prepayments (excluding prepayments)	8,294	641,807
Due from related parties (Note 2.3 (a))	447,128	2,331,074
Cash at bank	224,228	400,088
	<u>679,650</u>	<u>3,372,969</u>

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

4 Financial Risk Management (continued)

e. <i>Financial Instruments by category (continued)</i>	2019 \$	2018 \$
Financial assets at fair value through profit or loss	<u>202</u>	<u>--</u>
Available for sale	<u>--</u>	<u>1,340</u>
<i>Other financial liabilities</i>		
Liabilities as per statement of financial position		
Trade and other payables	1,177,835	5,006,697
Due to related parties (excluding statutory liabilities) (Note 2.3 (b))	9,042,028	214,722
Short term loans and borrowings	<u>2,817,430</u>	<u>10,842,959</u>
	<u>13,037,293</u>	<u>16,064,378</u>

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

Petroleum Company of Trinidad and Tobago Limited

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5 Property, Plant and Equipment

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other \$	Total \$
Costs							
Balance as at 30 September 2018 (Restated)	--	--	--	--	--	593,080	593,080
Additions	--	--	--	--	5,800	210	6,010
Amounts expensed	--	--	--	--	(5,800)	--	(5,800)
Exchange differences	--	--	--	--	--	6	6
Balance as at 30 September 2019	--	--	--	--	--	593,296	593,296
Accumulated depreciation, depletion, Amortisation and impairment losses							
Balance as at 30 September 2018	--	--	--	--	--	519,843	519,843
Depreciation, depletion & amortisation	--	--	--	--	--	4,422	4,422
Impairment	--	--	--	--	--	1,345	1,345
Exchange differences	--	--	--	--	--	--	--
Balance as at 30 September 2019	--	--	--	--	--	525,610	525,610
As at 30 September 2019							
Cost	--	--	--	--	--	593,296	593,296
Accumulated depreciation	--	--	--	--	--	525,610	525,610
Net book amount	--	--	--	--	--	67,686	67,686

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment (continued)

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other \$	Total \$
Costs (Restated)							
Balance as at 30 September 2017	5,785	102,285	108,070	7,134,537	24,758,083	849,714	32,850,404
Additions	(12)	33,164	33,152	21,378	292,762	10,817	358,109
Transfers	(5,500)	(32,773)	(38,273)	38,273	--	--	--
Other transfers	--	--	--	(6,483)	(87,469)	93,952	--
Disposal of asset	--	--	--	(4,757)	--	--	(4,757)
AUC expensed	--	--	--	--	(77,034)	--	(77,034)
Assets held for distribution	(273)	(102,676)	(102,949)	(7,476,682)	(24,935,268)	--	(32,514,899)
Exchange differences	--	--	--	10,892	(30,937)	1,302	(18,743)
Internal transfers	--	--	--	282,842	79,863	(362,705)	--
Balance as at 30 September 2018	--	--	--	--	--	593,080	593,080
Accumulated depreciation, depletion, Amortisation and impairment losses (Restated)							
Balance as at 30 September 2017	--	--	--	5,579,608	8,031,216	532,316	14,143,140
Depreciation, depletion & amortisation	--	--	--	422,957	989,355	15,368	1,427,680
Impairment for assets held for distribution	--	--	--	306,031	12,880,496	49,656	13,236,183
Disposal of asset	--	--	--	(4,476)	--	--	(4,476)
Asset held for distribution	--	--	--	(6,487,886)	(21,709,210)	--	(28,197,096)
Exchange differences	--	--	--	60,451	(165,226)	19,187	(85,588)
Internal transfers	--	--	--	123,315	(26,631)	(96,684)	--
Balance as at 30 September 2018	--	--	--	--	--	519,843	519,843
Net book amount							
As at 30 September 2017	5,785	102,285	108,070	1,554,929	16,726,867	317,398	18,707,264
As at 30 September 2018	--	--	--	--	--	73,237	73,237

As at 30 September 2018 property, plant and equipment balances relating to the Exploration and Production and Refinery and Marketing segments were classified as held for distribution.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment – Intangible

	Exploration and Evaluation \$	Development \$	Subtotal \$	Refining and Production \$	Marketing \$	Other \$	Total \$
Cost							
Balance as at 30 September 2018	--	--	--	--	--	36,861	36,861
Additions	--	--	--	--	--	--	--
Transfers	--	--	--	--	--	--	--
Other transfers	--	--	--	--	--	--	--
AUC expensed	--	--	--	--	--	--	--
Decommissioning cost	--	--	--	--	--	--	--
Exchange differences	--	--	--	--	--	--	--
Internal transfers	--	--	--	--	--	--	--
Assets held for distribution	--	--	--	--	--	--	--
Balance as at 30 September 2019	--	--	--	--	--	36,861	36,861
Accumulated depreciation, depletion, amortisation and impairment losses							
Balance as at 30 September 2018	--	--	--	--	--	36,861	36,861
Depreciation, depletion and amortisation	--	--	--	--	--	--	--
Impairment	--	--	--	--	--	--	--
Write back negative asset	--	--	--	--	--	--	--
Exchange differences	--	--	--	--	--	--	--
Internal Transfers	--	--	--	--	--	--	--
Asset held for distribution	--	--	--	--	--	--	--
Balance as at 30 September 2019	--	--	--	--	--	36,861	36,861
Carrying amounts							
As at 30 September 2018	--	--	--	--	--	--	--
As at 30 September 2019	--	--	--	--	--	--	--

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment – Intangible (continued)

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Other	Software cost	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost (Restated)									
Balance as at 30 September 2017	399,159	1,245,698	1,644,857	410,810	14,478,734	818,901	--	206,699	17,560,001
Additions	41,993	221,376	263,369	--	46,617	--	--	6,800	316,786
Transfers	(424,617)	(1,213,101)	(1,637,718)	--	1,637,718	--	--	--	--
Other transfers	--	--	--	--	268,659	(268,659)	--	--	--
AUC expensed	--	--	--	--	164	--	--	--	164
Decommissioning cost	--	--	--	--	3,249,313	1,157,803	36,861*	--	4,443,977
Exchange differences	--	--	--	618	23,596	120,907	--	304	145,425
Internal transfers	--	--	--	--	213,803	--	--	(213,803)	--
Assets held for distribution	(16,535)	(253,973)	(270,508)	(411,428)	(19,918,604)	(1,828,952)	--	--	(22,429,492)
Balance as at 30 September 2018	--	--	--	--	--	--	36,861	--	36,861
Accumulated depreciation, depletion, amortisation and impairment losses (Restated)									
Balance as at 30 September 2017	--	--	--	410,810	11,631,521	649,297	--	164,951	12,856,579
Depreciation, depletion and amortisation	--	--	--	--	430,008	--	--	9,502	439,510
Impairment	--	--	--	--	1,471,534	486,180	36,861	--	1,994,575
Write back negative asset	--	--	--	--	(55,956)	--	--	--	(55,956)
Exchange differences	--	--	--	618	35,807	16,723	--	707	53,855
Internal transfers	--	--	--	--	175,160	--	--	(175,160)	--
Asset held for distribution	--	--	--	(411,428)	(13,688,074)	(1,152,200)	--	--	(15,251,702)
Balance as at 30 September 2018	--	--	--	--	--	--	36,861	--	36,861
Carrying amounts									
As at 30 September 2017	399,159	1,245,698	1,644,857	--	2,847,213	169,604	--	41,748	4,703,422
As at 30 September 2018	--	--	--	--	--	--	--	--	--

* This amount relates to restatement and the resulting impairment of dismantlement asset in relation to the Point Fortin Refinery.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment – Tangible and Intangible (continued)

Accounting policy

Current year

Assets not transferred to the new entities for the year ended 30 September 2019 are reported at the lower of historical cost or fair value and are stated in the statement of financial position at historical costs less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Depreciation is calculated using the following rates and methods to allocate the cost to their residual values over their estimated useful lives:

Furniture and fixtures	20%	- diminishing balance
Domestic appliances	20%	- straight-line
Buildings	5%	- diminishing balance
Computer equipment/software (non-specialised)	33.3%	- straight-line
Other equipment	3.75%	- straight-line

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

(i) *Depreciation*

Depreciation charge of \$4,422 (2018: \$1,427,680) has been charged in operating expense.

These assets are derecognised upon disposal or when no future economic benefits are expected to arise from continued use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

(ii) *Assets pledged as security*

There is no property, plant and equipment pledged as security by the Company as at 30 September 2019.

(iii) *Capital commitments*

	2019	2018
	\$	\$
Authorised and contracted for and not provided for in the financial statements	<u> --</u>	<u>598,025</u>

The Company is no longer active and as such there are no capital commitments.

Prior year

(iv) *Oil and gas assets*

In the prior year the Company had certain Exploration and Production (E&P) and Refining and Marketing (R&M) assets which represented the substantial majority of the Company's Property, Plant and Equipment (PPE) and both were cash generating units. These assets were distributed to the newly formed entities as described in Note 12.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment – Tangible and Intangible (continued)

Accounting policy (continued)

Prior year (continued)

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

As at 30 September 2018, there were impairment triggers for all of the above categories following the Company's restructuring.

E&P assets were reported at the lower of historic cost and value in use (VIU). VIU was used because the underlying assets continued in operation under a new entity controlled by the Government of the Republic of Trinidad and Tobago (GORTT).

R&M assets were reported at the lower of historic cost and fair value as determined by an independent external valuator. Fair value was used because the refinery was put in preservation mode on 30 November 2018. Refer to Note 12 and 27. The other assets which include the hospital, administration building and the medical centres were reported at the lower of historic cost and fair value as determined by an independent external valuator. Fair value was used as it was practical to do so given the nature of the assets. Refer to Note 12 and 27.

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

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

Exploration and evaluation assets – Capitalisation

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

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

Costs incurred in the exploration and evaluation of assets includes:

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

Exploration and evaluation expenditure - Capitalisation is made within property, plant and equipment or intangible assets according to its nature. However, the majority of such expenditure is capitalised as an intangible asset including geological and geophysical costs. Costs directly associated with an exploration well are capitalised until the determination of commercial reserves is evaluated.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment – Tangible and Intangible (continued)

Accounting policy (continued)

Prior year (continued)

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

If commercial reserves are found, the costs continue to be carried as an asset. If commercial reserves are not found, exploration and evaluation expenditures are written off as a dry hole.

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

Exploration and evaluation assets – Impairment

See Note 5 (a) (vii) for the accounting policy related to impairment.

Development/Production tangible and intangible assets - Capitalisation

Acquisitions, asset purchases and disposals

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

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

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

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

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

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

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

Development/Production tangible and intangible assets – Impairment

See Note 5 (a) (vii) for the accounting policy related to impairment.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment – Tangible and Intangible (continued)

Accounting policy (continued)

Prior year (continued)

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

Production assets – Depreciation

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

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

(v) *Property, plant and equipment*

All property, plant and equipment are stated at historical cost less accumulated depreciation and less accumulated impairment losses.

Land is not depreciated. Depreciation is calculated using the following rates and methods to allocate the cost to their residual values over their estimated useful lives:

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment – Tangible and Intangible (continued)

Accounting policy (continued)

(vi) Software

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

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

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

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

(vii) Impairment of non-financial assets

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

Non-financial assets

Exploration and evaluation assets

In prior year, exploration and evaluation assets are tested for impairment when reclassified to development tangible and intangible assets as applicable or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceed their recoverable amount. The recoverable amount is the higher of the exploration and evaluations assets' fair value less costs to sell and their value-in-use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash generating units (CGUs) of related production fields located in the same geographical region. The geographical region is the same as that used for reserves reporting purposes.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and Equipment – Tangible and Intangible (continued)

Accounting policy (continued)

(vii) *Impairment of non-financial assets (continued)*

The following indicators are evaluated to determine whether these assets should be tested for impairment:

- the year for which the Company has the right to explore in the specific area;
- whether substantive expenditure on further exploration and evaluation in the specific area is budgeted or planned;
- whether exploration and evaluation in the specific area have not led to the discovery of commercially viable quantities and the Company has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Development and production intangible assets

Intangible assets that have an indefinite useful life and/or are not yet available for use are not subject to amortisation, and, therefore, are tested annually for impairment.

Tangible assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets are grouped together into the smallest group of assets (CGU) that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or cash generating units (CGU). The recoverable amount of the CGU is the greater of the value in use and its fair value less cost to sell. The value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The carrying value is compared against the expected recoverable amount. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognised in the profit or loss and reduces the carrying amounts of the assets in the CGU.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

The cash generating unit applied for impairment test purposes is generally the field. These fields are the same as that used for reserves reporting purposes.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, Plant and equipment – Tangible and Intangible (continued)

Accounting Policy (continued)

(vii) *Impairment of non-financial assets (continued)*

Oil and gas reserve estimate

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

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

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

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

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

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Notes to the Financial Statements

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6 Financial Assets at Fair Value Through Profit or Loss

a. <i>Financial assets at fair value</i>	As at 30 September	
	2019	2018
	\$	\$
Metal Industries Company Limited	202	--
La Brea Industrial Development Company Limited (LABIDCO)	--	--
	<u>202</u>	<u>--</u>

There was an impairment loss recorded in the year ended 30 September 2019 of \$ 1,138 for LABIDCO (2018: \$ 22,725). Refer to Note 21.

b. *Available for sale - Reclassification of prior year amounts*

The above financial assets were reclassified from available for sale financial instruments to financial assets at fair value through profit or loss in the year ended 30 September 2019. They do not meet the IFRS 9 criteria for classification at amortised cost because their cash flows do not represent solely payments of principal and interest on the principal amount outstanding.

On the date of initial application, 01 October 2018, the financial instruments of the group were as follows, with any reclassifications noted:

Non-Current Assets	Measurement Category		Carrying amount		Difference
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39)	New (IFRS 9)	
Metal Industries Company Limited	Available for sale	Financial assets at fair value through profit or loss	202	202	--
La Brea Industrial Development Company Limited (LABIDCO)	Available for sale	Financial assets at fair value through profit or loss	1,138	1,138	--
			1,340	1,340	--

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

6 Financial Assets at Fair Value Through Profit or Loss (continued)

c. Accounting policy

Available for sale financial assets comprise financial instruments in unquoted equity. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the reporting date.

Available for sale financial instruments are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial measurement these assets are measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss based on the business model for managing financial assets and the contractual cash flow characteristics of the financial asset. If the asset is held 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 on the principal amount outstanding, then the financial asset is measured at amortised cost.

If the financial asset is held to collect contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding then the financial assets are measured at fair value through other comprehensive income.

Any financial assets not measured at either amortised cost or through other comprehensive income are recorded at the fair value through profit or loss. Financial assets at fair value through profit or loss are aimed in particular at generating cash flows by selling financial instruments. Realised and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income.

Management assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or a prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent year.

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(Presented in Thousands of Trinidad and Tobago Dollars)

7 Interest in Other Entities

a. Subsidiaries

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

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Company				Principal activities
		2019 %	2018 %	2019 \$	2018 \$	
Trinmar Limited (Trinmar)	Trinidad and Tobago	100%	100%	2	2	Trinmar operated certain concessions in accordance with a Marine Operating Agreement dated August 1, 1960. This company is now dormant.
PETROTRIN EAP Services Limited (PEAPSL)	Trinidad and Tobago	100%	100%	1,500	1,500	PEAPSL provides counselling services for employees and third parties.

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

7 Interest in Other Entities (continued)

a. Subsidiaries (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Company				Principal activities
		2019 %	2018 %	2019 \$	2018 \$	
World GTL Trinidad Limited (WGTL-TL)	Trinidad and Tobago	100%	100%	1	1	<p>WGTL-TL was formed to undertake the construction, completion, ownership and operation of a gas to liquids plant to be located at PETROTRIN's Pointe-a-Pierre refinery complex. The said plant is still in the construction phase. At inception in 2006, WGTL-TL was a jointly controlled entity between World GTL St. Lucia Limited and PETROTRIN, with common stock shareholding of 51% and 49% respectively.</p> <p>Pursuant to the Guarantee Contribution Agreement of 12 January 2007, relating to the funding requirements for the Gas-to-Liquid project (the "GTL Project"), PETROTRIN financed cost overruns which were to be borne by World GTL Inc., the ultimate parent company of WGTL St. Lucia Limited.</p> <p>Due to significant increases in capital construction costs and the inability to meet project completion dates for the Gas-to-Liquids plant being constructed by WGTL-TL, PETROTRIN in its capacity as lender placed this jointly controlled entity in receivership and a receiver was appointed on 25 September 2009. The asset was fully impaired in the year ended 30 September 2009. No additional impairment losses or reversals of previous impairment losses were recorded in the years ended 30 September 2010 to 30 September 2019.</p>

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

7 Interest in Other Entities (continued)

a. Subsidiaries (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Company				Principal activities
		2019 %	2018 %	2019 \$	2018 \$	
World GTL Trinidad Limited (WGTL-TL)	Trinidad and Tobago	100%	100%	1	1	<p>On 01 February 2011, the Receiver published a notice advertising the sale of an unfinished Gas-to-Liquids plant and other assets of WGTL-TL. On 24 February 2010, PETROTRIN commenced arbitration against the WGTL Parties in the International Court of Arbitration of the International Chamber of Commerce (the "ICC") seeking the transfer of the common stock shares of WGTL-TL to PETROTRIN as required by the Guarantee Contribution Agreement. On 07 April 2015 the Parties entered into a Settlement Agreement and on 08 April 2015 they requested that the Court (Southern District of New York) order entry of Consent Judgments confirming Final Arbitration Awards. As a result, WGTL-TL is now a wholly owned subsidiary of PETROTRIN.</p> <p>As at 30 September 2018, NiQuan Energy Trinidad Limited has consummated and concluded the Sale and Purchase Agreement with World GTL Trinidad Limited (in receivership), under which it has acquired the plant, property and equipment in return for a cash payment of US\$10 million plus US\$25 million in non-convertible preference shares to the debenture holder, PETROTRIN. The preference shares in NiQuan Energy Trinidad Limited was valued by an external valuator and have a nil carrying amount for the years ended 30 September 2018 and 30 September 2019. These preference shares do not have any rights associated with them except for the ability to convert into an unsecured receivable should NiQuan not meet repayment terms as per signed agreement. Refer to Note 29 (v).</p>
Total				1,503	1,503	

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

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7 Interests in Other Entities (continued)

b. Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Company. The amounts disclosed for each subsidiary are before inter-group eliminations. By virtue of the Vesting Act 2018, effective 01 December 2018, Trintomar was vested to Heritage Petroleum Company Limited.

Summarised Balance Sheet

	Trintomar	
	30 September	
	2019	2018
	\$	\$
Current assets	--	41,362
Current liabilities	--	1,644
Current net assets/(liability)	--	39,718
Non-current assets	--	7,639
Non-current liabilities	--	20,676
Non-current net assets/(liability)	--	(13,037)
Net assets/(liability)	--	26,681
Accumulated NCI		

Summarised statement of comprehensive income

	Trintomar	
	30 September	
	2019*	2018
	\$	\$
Revenue	321	2,640
Loss for the year	(294)	(1,578)
Other comprehensive income	--	--
Total comprehensive income	--	--
Profit allocated to NCI	(294)	(1,578)
Dividends paid to NCI	--	--

*Represents activity for the two (2) months ended 30 November 2018.

Summarised statement of cash flows

	Trintomar	
	30 September	
	2019	2018
	\$	\$
Cash flows from operating activities	--	(740)
Cash flows from investing activities	--	(7,224)
Cash flows from financing activities	--	--
Net increase/(decrease) in cash and cash equivalents	--	(7,964)

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

7 Interests in Other Entities (continued)

c. Interest in Joint Operations

The Company has a shared control in the following joint operations which are all based in Trinidad and Tobago. By virtue of the Vesting Act 2018, effective 01 December 2018, these were vested to Heritage Petroleum Company Limited.

	As at 30 September	
	2019	2018
	Effective Interest	
NCMA Block 9 – Offshore	--	19.50%
Central Block	--	35.00%
East Brighton Block	--	30.00%
Moruga West	--	40.00%
Point Ligoure, Guapo Bay, Brighton Marine (PGB)	--	30.00%
South East Coast Consortium	--	16.00%
South West Peninsula/Bonasse	--	27.50%
Parrylands 'E' Block	--	25.00%
Teak, Samaan, Poui (TSP)	--	15.00%
Block 22	--	10.00%
Block 3A	--	20.13%
Galeota	--	35.00%
NCMA 4	--	20.00%
Rio Claro Block	--	20.00%
Ortoire Block	--	20.00%
St. Mary's Block	--	20.00%

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

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

Petroleum Company of Trinidad and Tobago Limited

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(Presented in Thousands of Trinidad and Tobago Dollars)

7 Interests in Other Entities (continued)

c. Interest in joint operations (continued)

	NCMA Block 9 – Offshore \$	Teak, Samaan, Poui (TSP) \$	Central Block \$	South East Coast Consortium \$	Other \$	Total \$
As at 30 September 2019						
Assets:						
Property, plant and equipment	--	--	--	--	--	--
Current assets	--	--	--	--	--	--
Liabilities:						
Current liabilities	--	--	--	--	--	--
Commitments	--	--	--	--	--	--

As at 30 September 2018

Assets:						
Property, plant and equipment	--	125,479	122,120	82,207	1,610	331,416
Current assets	121,529	23,855	19,187	23,427	1,934	189,932
Liabilities:						
Current liabilities	19,443	14,224	17,725	18,750	38,174	108,316
Commitments	2,805	3,805	502	6,068	15,977	29,157

	NCMA Block 9 – Offshore \$	Teak, Samaan, Poui (TSP) \$	Central Block \$	South East Coast Consortium \$	Other \$	Total \$
Year ended 30 September 2019						
Revenue	121,551	40,172	20,851	18,718	6,097	207,389
Cost of sales	--	--	(28,317)	---	--	(28,317)
Income tax expenses	(25,731)	(19,789)	22,073	(54,520)	5,643	(72,324)

	NCMA Block 9 – Offshore \$	Teak, Samaan, Poui (TSP) \$	Central Block \$	South East Coast Consortium \$	Other \$	Total \$
Year ended 30 September 2018						
Revenue	356,496	289,025	106,162	135,188	32,626	919,497
Cost of sales	(254,053)	(206,995)	(55,879)	(66,971)	23,054	(560,844)
Income tax expenses	(2,964)	(2,382)	(1,352)	(4,233)	(992)	(11,923)

The commitments related solely to expenditure for which vendors have been contracted. These are no contingencies related to the Company's interest in these ventures.

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Notes to the Financial Statements

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8 Income Tax Expense

a. *Income tax expense*

	Year ended 30 September	
	2019	2018
	\$	(Restated) \$
Petroleum profits tax/unemployment Levy (note 8 f)	(2,824,213)	(318,627)
Prior year tax adjustments (FY1994-FY2010)*	227,167	--
Deferred income tax	--	(1,208,564)
	<u>(2,597,046)</u>	<u>(1,527,191)</u>

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

	Year ended 30 September	
	2019	2018
	\$	\$
Loss before tax	<u>(6,285,016)</u>	<u>(15,360,680)</u>
Tax calculated at a rate of 55%	3,456,759	8,448,374
Permanent differences	(5,163)	12,765
Difference in translation	14,871	(12,556)
Timing differences not recognised as deferred income tax asset	(7,096,367)	(10,378,892)
Utilisation of losses	886,255	443,430
Prior year tax adjustments*	227,167	--
Differences in rates	<u>(80,568)</u>	<u>(40,312)</u>
	<u>(2,597,046)</u>	<u>(1,527,191)</u>

*The response from the Board of Inland Revenue to the objections raised on the assessment of prior years' tax returns indicated a reduction in PETROTRIN's tax liability. Taxes were paid by PETROTRIN for these years and, as such, this reduction has been treated as taxes recoverable from Board of Inland Revenue.

Based on agreement with the Ministry of Finance, opening losses could not be collated with other fields to offset the balancing charge.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

8 Income Tax Expense (continued)

a. *Income tax expense (continued)*

A request was made to the Honourable Minister of Finance, Ministry of Finance for a concession to allow PETROTRIN to consolidate the accumulated tax losses of its Exploration and Production and Refining businesses with a view to mitigating the tax liability which arose due to the tax gain which resulted from the transfer of assets to the new entities. At the time of the finalisation of the financial statements, the concession was not yet granted, and the financial statement was prepared on the basis that the concession will not be granted.

Should the request for consolidation of tax losses be granted, the tax expense will be reduced from TT\$ 2,824,213 to \$ 329,991 (relates to unemployment levy which is calculated before losses are set off).

b. *Accounting policy*

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Income Tax Regulation of Trinidad and Tobago provides for penalties and interest to be charged on outstanding taxes due to GORTT. No such provision has been made in these financial assets as PETROTRIN has never been charged penalties and interest for late payment of taxes and as such the likelihood of future economic outflows arising from same is deemed negligible.

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

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

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

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

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

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

8 Income Tax Expense (continued)

b. Accounting policy (continued)

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

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

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

c. <i>Deferred taxation</i>	Year ended 30 September	
	2019	2018 (Restated)
	\$	\$
At beginning of the year	--	1,208,564
Charge to OCI	--	--
Charge to SOCI	--	(1,208,564)
At end of the year	--	--

Deferred income taxes are calculated in full, on temporary differences under the liability method using a principal tax rate of 55% (Exploration and Production Operations (E&P)) and 50% (Refining and Marketing Operations (R&M)). The deferred income tax (asset)/liability in the statement of financial position and the deferred income tax charge/(credit) in the statement of profit or loss and other comprehensive income are attributable to the following:

	2018 (Restated) \$	Charge to SOCI \$	Charge/ (credit) to OCI \$	2019 \$
Year ended 30 September 2019				
Deferred income tax liabilities				
Accelerated tax depreciation – property, plant and equipment carried at cost	(4,971,061)	4,937,425	--	(33,636)
	(4,971,061)	4,937,425	--	(33,636)
Year ended 30 September 2019				
Deferred income tax assets				
Retirement medical obligation	68,811	(55,390)	--	13,421
Provision for abandonment	4,361,995	(4,361,995)	--	--
Vacation leave payable	104,509	(104,509)	--	--
Interest payable	78,926	(58,711)	--	20,215
Tax losses carried forward	106,800	(106,800)	--	--
Retirement benefit obligation – pension benefits	44,605	(44,605)	--	--
Exchange gain/loss	205,415	(205,415)	--	--
	4,971,061	(4,937,425)	--	33,636
Net deferred income tax asset/liabilities	--	--	--	--

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

8 Income Tax Expense (continued)

c. Deferred taxation (continued)

	2017	Charge to SOCl	Charge/ (credit) to OCI	2018 (Restated)
	\$	\$	\$	\$
Year ended 30 September 2018				
Deferred income tax liabilities				
Accelerated tax depreciation – property, plant and equipment carried at cost	(10,212,648)	5,241,587	--	(4,971,061)
	<u>(10,212,648)</u>	<u>5,241,587</u>	<u>--</u>	<u>(4,971,061)</u>
Year ended 30 September 2018				
Deferred income tax assets				
Provision for abandonment	1,748,236	2,613,759	--	4,361,995
Vacation leave payable	112,398	(7,889)	--	104,509
Interest payable	67,695	11,231	--	78,926
Tax losses carried forward	6,769,180	(6,662,380)	--	106,800
Retirement benefit obligation – pension benefits	395,042	(350,437)	--	44,605
Exchange gain/loss	217,245	(11,830)	--	205,415
Retirement medical asset	1,345,413	(1,276,602)	--	68,811
Production taxes accruals	766,003	(766,003)	--	--
	<u>11,421,212</u>	<u>(6,450,151)</u>	<u>--</u>	<u>4,971,061</u>
Net deferred income tax asset/liabilities	<u>1,208,564</u>	<u>(1,208,564)</u>	<u>--</u>	<u>--</u>

A DIT Asset could not be recognised by the Company as PETROTRIN is a non-going concern and no evidence that a DIT asset would be utilised in future could be provided to support the carrying forward of an asset as at 30 September 2019. As such, the DIT asset was derecognised to the extent of the deferred tax liability recognised in the year ended 30 September 2019.

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Notes to the Financial Statements

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8 Income Tax Expense (continued)

d. Tax losses

The following table provides details of tax losses for Exploration & Production and Refining & Marketing segments:

	30 September	
	2019	2018 (Restated)
	\$	\$
Tax losses brought forward	26,688,586	25,107,248
Current year losses – E&P	--	45,727
Current year losses – R&M	--	2,341,847
Tax losses utilised - E&P	(92,546)	(806,236)
Tax losses utilised - R&M	<u>(1,518,826)</u>	<u>--</u>
Tax losses carried forward	<u>25,077,214</u>	<u>26,688,586</u>
Tax losses not recognised as deferred tax	25,077,214	26,494,404
Tax losses recognised as deferred tax	<u>--</u>	<u>194,182</u>
	<u>25,077,214</u>	<u>26,688,586</u>

During the period that PETROTRIN operated, the Company was engaged in joint venture operations with other entities. The contracts for some of these joint venture operations included a clause which stated that losses incurred cannot be utilised against profits of another Exploration and Production field when calculating production taxes. These types of joint venture operations were referred to as being "Ring Fence". The transfer of assets to the new entities resulted in a balancing charge in PETROTRIN's books. All available losses except for losses incurred on "Ring Fence" fields were utilised when calculating the tax on the balancing charge.

The table below shows the tax losses by segment:

	E&P \$	Ring Fence \$	E&P Total \$	R&M \$	Total \$
Tax losses brought forward	--	243,314	243,314	26,445,272	26,688,586
Losses Utilised	--	(92,546)	(92,546)	(1,518,826)	(1,611,372)
Losses carried forward	--	150,768	150,768	24,926,446	25,077,214

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8 Income Tax Expense (continued)

e. <i>Income taxes recoverable</i>	As at 30 September	
	2019	2018
	\$	\$
Income taxes recoverable	<u>773,435</u>	<u>530,506</u>

These amounts represent overpayments of Petroleum Profits Taxes resulting from re-filing of tax returns to claim previously un-utilised tax losses for the years 1994 to 2006 as well as overpayment of taxes for income years 2008 – 2010. The final assessments from the Board of Inland Revenue for income years 2008 – 2010 was received by the Company and appropriate adjustments recognised to the income tax recoverable balances.

f. *Current tax liabilities*

(*Petroleum Profit Taxes and Supplemental Profit Taxes*) (Note 2.3 (b))

	30 September	
	2019	2018
	\$	\$
Balance at start of the year	3,916,021	2,621,687
Taxes paid	--	(467)
Current year tax expense – SPT	187,738	976,174
Current year tax expense – PPT	2,494,222	253,014
Current year tax expense – UL	329,991	65,613
Reclass to taxation recoverable	28,137	--
Tax adjustment – PPT (FY 2007)	<u>(12,375)</u>	<u>--</u>
Balance at the close of the year	<u>6,943,734</u>	<u>3,916,021</u>

9 Inventories

	2019	2018
	\$	\$
Materials and supplies – other	400	43,966
Less: provision for obsolescence	<u>--</u>	<u>(43,566)</u>
	<u>400</u>	<u>400</u>

a. *Accounting policy*

(i) *Materials and supplies*

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

(ii) *Medical inventory*

As at 30 September 2018, medical inventory was fully impaired as there was no available information on the treatment of pharmaceuticals. During the current year the medical inventory relating to pharmaceutical supplies, inclusive of prescription drugs were donated to the Ministry of Health and only consumables related to computers and peripheral devices remained with the Company.

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9 Inventories (continued)

(iii) Provision for obsolescence

Materials and supplies are reviewed on an annual basis. Items are provided for based on the age and condition of the items.

10 Receivables and Prepayments

	As at 30 September	
	2019	2018
	\$	\$
Trade receivables	50,185	622,386
Less: provision for impairment of trade receivables	<u>(50,185)</u>	<u>(33,201)</u>
	<u>--</u>	<u>589,185</u>
Other receivables	310,325	200,162
Less: provision for impairment of other receivables	<u>(302,031)</u>	<u>(147,540)</u>
	<u>8,294</u>	<u>52,622</u>
Trade and other receivables excluding prepayments and taxes	8,294	641,807
Taxes recoverable	--	1,607
Prepayments, deferred charges and accrued revenue	<u>7,637</u>	<u>100,709</u>
Trade and other receivables including prepayments and taxes	<u>15,931</u>	<u>744,123</u>

a. Accounting policy

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

Refer to note 4 (a) (iii) for the accounting policy for the impairment of receivables.

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.

11 Cash and Cash Equivalents

	As at 30 September	
	2019	2018
	\$	\$
Cash at bank and in hand	93,645	310,904
Short-term bank deposits	<u>130,583</u>	<u>89,184</u>
Cash and cash equivalents	<u>224,228</u>	<u>400,088</u>

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11 Cash and Cash Equivalents (continued)

a. Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. 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.

b. Financial risk management

The effective interest rate on short-term deposits was 0.52% (2018: 0.32%) per annum. Short term deposits have an average maturity of three point six (3.6) days (2018: one day).

The Company has the following facilities with various banks:

Facilities

USD Libor loan

	As at 30 September	
	2019	2018
Original Loan Amount	US \$25,000	US \$25,000
Type of Loan	US Libor Loan	US Libor Loan
Principal balance	US \$25,000	US \$25,000
Principal Paid for Audit period	NIL	NIL
Interest Paid for Audit period	US \$290	US \$775
Interest rate	4.63888%	4.63888%

	2019	2018
Approved Revolving Line by way of Custom Bonds	--	TT\$4,500 (Undrawn)
Approved Revolving Line by way of Guarantee (formerly PETROTRIN's predecessor company, Trintopec)	TT\$350 (Undrawn)	TT\$1,000 (Undrawn)
Approved Revolving Line by way of Guarantee for the employees of the Trinmar division of PETROTRIN	TT\$45 (Undrawn)	TT\$45 (Undrawn)
Approved Revolving Line by way of Credit Card	--	TT\$400 (Undrawn)
Approved line for USD Treasury Bond Investments	US\$225 (Undrawn)	US\$900 (Undrawn)
Standby Letter of Credit	--	US\$22,189

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

11 Cash and Cash Equivalents (continued)

c. Cash generated from operating activities

	Note	Year ended 30 September	
		2019	2018 (Restated)
		\$	\$
Loss before taxation		(6,285,016)	(15,360,680)
Amortisation of intangible assets		--	439,510
Utilisation of decommissioning provision		--	(4,757)
Depreciation	5	4,422	1,427,680
Impairment losses- PPE		1,345	15,230,758
Impairment losses related to investments – LABIDCO	21	1,138	22,725
Impairment losses related to investments – WGTTL	21	--	2,830
Impairment write back related to investments	21	--	(71,116)
Foreign currency translation loss		(528,529)	(7,717)
Net finance cost	23	363,626	1,058,497
Finance income	23	(1,516)	(2,009)
Loss on disposal of property, plant and equipment		--	281
Movement in provision obligation		(9,876)	--
Write back of negative assets		--	(55,956)
Net pension costs		35,000	(472,900)
Net medical benefit costs		1,100	(1,996,800)
Taxes other than income taxes		187,738	976,174
Pension contributions paid		(53,900)	(168,200)
Post-employment medical benefits paid		(101,700)	(95,400)
Decrease/ (increase) in amounts due from related parties		8,110,328	(2,632,416)
Decrease/ (increase) in receivables and prepayments		728,070	(726,683)
Decrease/ (increase) in inventories		--	2,130,756
Increase/ (decrease) in other liabilities		(3,705,994)	2,239,927
Increase/ (decrease) in amounts due to related parties		<u>1,281,043</u>	<u>--</u>
Net cash (used in)/generated from operating activities		<u>27,279</u>	<u>1,934,504</u>

d. Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include TT\$140,695 (2018: \$84,700) which is held in reputable financial institutions and are not available for general use. Judgement in A&V Oil and Gas Limited vs PETROTRIN was concluded and the amount of \$84,700 was paid on September 27, 2021.

e. Financial assets at amortised cost

	As at 30 September	
	2019	2018
	\$	\$
Balance at 01 October 2018	--	--
Redemptions/purchases	128,777	--
Interest service cost	6,765	--
Interest payment	<u>(1,681)</u>	<u>--</u>
Balance at 30 September 2019	<u>133,861</u>	<u>--</u>

This investment was purchased from NCB Global Finance Limited (NCBJ) and is held to maturity with a fixed interest rate of 5.35 % per annum. The investment matures on 12 June 2020.

This investment is denominated in Trinidad and Tobago Dollars and is used as collateral for short term debt from NCBJ, which was repaid on 12 June 2020.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

12 Assets and Liabilities Held for Distribution

The following were Assets transferred to the new entities

	PPE/ Intangible \$	Cash in Escrow \$	Inventories \$	Receivables and prepayments \$	Cash \$	Investment \$	Total \$
Restated balance as at 30 September 2018	11,495,593	238,612	2,709,838	39,092	45,754	1,161	14,530,050
Additions/Movements	47,909	(34,625)	(1,098,450)	16,593	33,166	(2)	(1,035,409)
Exchange differences	8,346	174	1,966	--	33	1	10,520
Distributed to new entities	<u>(11,551,848)</u>	<u>(204,161)</u>	<u>(1,613,354)</u>	<u>(55,685)</u>	<u>(78,953)</u>	<u>(1,160)</u>	<u>(13,505,161)</u>
Balance as at 30 September 2019	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

12 Assets and Liabilities Held for Distribution (continued)

The following liabilities were reclassified as held for distribution as at 30 September 2019

	Provisions \$	Trade and other payables \$	Total \$
Restated balance as at 30 September 2018	(8,145,641)	(98,875)	(8,244,516)
Additions/Movements	(62,102)	(1,219)	(63,321)
Distribution to new entities	8,213,873	100,315	8,314,188
Exchange differences	(6,130)	(221)	(6,351)
Total liabilities directly associated with assets classified as held for sale	--	--	--

	As at 30 September 2018 (Restated)		
	E&P \$	R&M \$	Total \$
Assets classified as held for sale			
Property, plant and equipment	1,091,745	3,226,058	4,317,803
Intangible assets	6,501,038	676,752	7,177,790
Cash in escrow	238,612	--	238,612
Inventories	485,624	2,224,214	2,709,838
Receivables and prepayments	39,092	--	39,092
Cash and cash equivalents	45,754	--	45,754
Investment in Point Fortin LNG			
Exports Limited (PFLE)	439	--	439
Investment in subsidiary – TNA & Trintomar	722	--	722
Total assets held for distribution	8,403,026	6,127,024	14,530,050

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

12 Assets and liabilities Held for Distribution (continued)

	As at 30 September 2018 (Restated)		
	E&P \$	R&M \$	Total \$
Liabilities directly associated with assets classified as held for sale			
Provisions	5,876,735	2,268,906	8,145,641
Trade and other payables*	58,875	40,000	98,875
Total liabilities directly associated with assets classified as held for sale	<u>5,935,610</u>	<u>2,308,906</u>	<u>8,244,516</u>

*Amounts included in trade and other payables relate to:

- abandonment fund liabilities in relation to certain joint venture and lease operatorship operations and
- payment received from GORTT for stocks transferred to Liquid Fuels Company of Trinidad and Tobago Limited (LFCTT)

a. Accounting policy

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. They are measured at lower of their carrying amount and fair value less costs to distribute 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.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to distribute. A gain is recognised for any subsequent increases in fair value less costs to distribute of 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 distribution. Interest and other expenses attributable to the liabilities of a disposal group classified as held for distribution continue to be recognised.

Non-current assets classified as held for distribution and the assets of a disposal group classified as held for distribution are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented in the statement of profit or loss. All of the operations in the current year are shown as "discontinued operations" in the statement of comprehensive income and cash flows as there are no continuing operations of PETROTRIN. The discontinued operations presented in the statement of comprehensive income and statement of cash flows in the comparative year include all operations that have been discontinued at the end of 30 September 2018, therefore, no restatement was required for presentation purposes since there were no continuing operations to contrast with.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

13 Share Capital

	2019 No.	2018 No.	2019 \$	2018 \$
<i>Authorised, Issued and fully paid</i>				
Ordinary share of no-par value	1	300,000,000		
<i>Issued and fully paid</i>				
Ordinary share of no-par value	1	300,000,000	<u>2,272,274</u>	<u>2,272,274</u>

By deeds of surrender dated 29 November 2018, all of PETROTRIN's issued share capital was surrendered. On 30 November 2018, one share at an absolute value of \$5 was then issued by PETROTRIN to Trinidad Petroleum Holdings Limited (TPHL), an entity incorporated in the Republic of Trinidad and Tobago, making TPHL the Parent Company. TPHL is owned by GORTT. TPHL has three other wholly owned subsidiaries which were formed as a result of PETROTRIN's restructuring. The subsidiaries are Heritage Petroleum Company Limited, Paria Fuel Trading Limited and The Guaracara Refining Company Limited.

The restructuring of the Company resulted in an intermediary Parent Company between the previous shareholder (GORTT) and the new shareholder (TPHL). The GORTT is still the Ultimate Parent as the old shares were exchanged for the new shares with no economic substance. As a result any previous amounts recorded as share capital continued to be recorded as share capital.

a. *Accounting policy*

(i) *Share capital*

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

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.

(ii) *Dividend distribution*

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

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation

All employees were terminated effective t 30 November 2018 and the plans were closed. The majority of PETROTRIN's employees who were terminated on the 30 November 2018 had participated in one of PETROTRIN's two (2) pension plans (the Plans). The Plans are of the defined benefit type and are established under Trust with the following Trustees:

Pension Plan	Membership	Trustee
PETROTRIN Employees' Pension Plan (PEPP)	All employees excluding ex-Trintopec monthly rated employees	The Trust Services of Republic Bank Limited
Trintopec Staff Pension Plan (SPP)	All ex-Trintopec monthly rated employees	RBC Trust Limited

The plans are now closed.

The SPP is exempt approved under the Income Tax Act whilst the PEPP was approved by the Board of Inland Revenue and registered with the Central Bank of Trinidad and Tobago on 06 March 2017.

The Plans are funded to cover pension liabilities in respect of service up to the reporting date. They are subject to independent actuarial valuations at least every three (3) years, on the basis of which the independent qualified actuary certifies the rate of employer's contributions which, together with the specified contributions payable by the employees and proceeds from the Plans' assets, are expected to be sufficient to fund the benefits payable under the Plans.

The Pension Plans pay:

- Pensions calculated on the basis of service, accrual rate and pensionable salary, and are subject to a limitation of 66 2/3 % of final pensionable earnings. Upon retirement, the member has an option of either 100% monthly pension or 75% reduced monthly pension plus a tax-free lump sum. The pension is guaranteed for 15 years and payable for the lifetime of the member;
- Death after retirement benefit equal to a lump sum of three (3) months pensionable basic earnings at time of retirement;
- Death in service benefit of refund of contributions plus interest in addition to four (4) times member's annual pensionable earnings at the time of death;
- Disability benefit equal to 60% of pensionable earnings at time of disability for a fixed year, but not after age 60;
- Spousal benefit of 50% of the pension the pensioner was in receipt of at the time of retirement and 65% for Trinmar pensioners after guaranteed year expires.

A full independent actuarial valuation of the Plans was carried out as at 30 September 2019 and revealed that the funding level of the SPP was 146% using the discounted values of future benefit payments and asset values at the valuation date. Due to the funding level of PEPP, the valuation was based on an analysis of the emerging cash flows in respect of both benefit payments and investment income. As such, no funding level is available. The aggregate market value of assets of the former Plans that now form the PEPP was \$ 7,735,300 as at 30 September 2019 while that of the SPP was \$ 1,538,900. A full independent actuarial valuation is completed every three years. The next valuation is expected to be done as at 30 September 2021.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation (continued)

There was limitation in data used by the Actuaries which impacted the liabilities:

- a. Calculations were based on a listing provided by the trustees which included a number of pensioners' who were on the trustee's payroll but not on PETROTRIN's updated person-by-person membership database. The estimated liability in respect of these pensioners totaled \$111 million.
- b. PETROTRIN's updated person-by-person membership database indicated that there were some pensioners for whom pension increases have not yet been implemented.

An updated valuation of all of the Plans' assets and expected liabilities as at 30 September 2019 was carried out by independent actuaries in accordance with the requirements of IAS 19 (revised). This valuation is based on the most recent full actuarial valuation at 30 September 2016, rolled forward to reflect developments since that date which would have a significant effect on the defined benefit obligation and service cost and on up-to-date asset values. Financial assumptions used in the 2016 valuation are revised to reflect prevailing current economic conditions while the demographic assumptions remain identical to those used in the latest full actuarial valuation. The Pension Plan valuation as at 30 September 2019 was carried out using a closed plan approach which resulted in a significant credit to the Statement of Comprehensive Income. Curtailment as a result of the termination of all employees on 30 November 2018 was accounted for in fiscal year 2018.

The charge to the Statement of Comprehensive Income includes current service cost, net interest on net retirement benefit/obligation, past service cost and administrative expenses.

		As at 30 September	
		2019	2018
		\$	\$
Obligation in statement of financial position:			
Retirement benefit obligation - Pension benefits - net	(a)	(427,900)	(84,400)
Retirement benefit obligation - Medical benefits	(b)	<u>(39,400)</u>	<u>(130,200)</u>
		<u>(467,300)</u>	<u>(214,600)</u>
		Year ended 30 September	
		2019	2018
		\$	\$
Income/ (expense) recognized in profit or loss:			
Net pension income / (cost)	(a)	(35,000)	472,900
Net benefit income / (cost)	(b)	<u>(1,100)</u>	<u>1,996,800</u>
		<u>(36,100)</u>	<u>2,469,700</u>

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation (continued)

a. Retirement benefit (obligation)/asset - pension benefits

The amounts recognised in the statement of financial position for both plans are determined as follows:

	Year ended 30 September	
	2019	2018
	\$	\$
Present value of defined benefit obligation	(9,088,100)	(10,212,500)
Fair value of plan assets	<u>9,274,200</u>	<u>10,719,900</u>
Surplus/ (deficit)	186,100	507,400
Effects of asset ceiling	<u>(614,000)</u>	<u>(591,800)</u>
Net retirement benefit obligation	<u>(427,900)</u>	<u>(84,400)</u>

This obligation represents the present value of the (increase)/reduction in future contributions, as advised by the actuaries.

Movement in present value of defined benefit obligation during the year:

	As at 30 September	
	2019	2018
	\$	\$
Defined benefit obligation at start of year	(10,212,500)	(11,188,600)
Current service cost	(12,000)	(231,300)
Interest cost	(511,800)	(597,500)
Members' contributions	(27,800)	(83,100)
Curtailment	--	753,500
Re-measurement:		
-Experience adjustments	(53,800)	474,200
Actuarial gains from changes in financial assumptions	(106,900)	--
Benefits paid	<u>1,836,700</u>	<u>660,300</u>
Defined benefit obligation at end of year	<u>(9,088,100)</u>	<u>(10,212,500)</u>

Movement in fair value of plan assets during the year:

	As at 30 September	
	2019	2018
	\$	\$
Fair value of plan assets at start of year	10,719,900	10,860,900
Interest income	541,400	585,900
Return on Plan assets, excluding interest income	(212,000)	(302,600)
Company contributions	53,900	168,200
Members' contributions	27,800	83,100
Benefits paid	(1,836,700)	(660,300)
Administrative expenses	<u>(20,100)</u>	<u>(15,300)</u>
Fair value of Plan assets at end of year	<u>9,274,200</u>	<u>10,719,900</u>

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation (continued)

a. Retirement benefit (obligation)/asset - pension benefits (continued)

Movement in the net retirement benefit asset recognised in the statement of financial position:

	As at 30 September	
	2019	2018
	\$	\$
Opening Defined Benefit Liability/ (Asset)	(84,400)	(734,200)
Net pension cost	(35,000)	472,900
Re-measurement recognised in other comprehensive income	(362,400)	8,700
Company contributions paid	<u>53,900</u>	<u>168,200</u>
Closing Defined Benefit Liability/ (Asset)	<u>(427,900)</u>	<u>(84,400)</u>

The amounts recognised as part of administrative expenses in the statement of profit or loss was determined as follows:

	Year ended 30 September	
	2019	2018
	\$	\$
Current service cost	(12,000)	(231,300)
Net interest on net Defined Benefit Liability/ (Asset)	(2,900)	(34,000)
Curtailment	--	753,500
Administrative expenses	<u>(20,100)</u>	<u>(15,300)</u>
Net pension cost	<u>(35,000)</u>	<u>472,900</u>

Re-measurements recognised in other comprehensive income:

	Year ended 30 September	
	2019	2018
	\$	\$
Experience gains/ (losses)	(372,700)	171,600
Effect of asset ceiling	<u>10,300</u>	<u>(162,900)</u>
Total amount recognised in other comprehensive income	<u>(362,400)</u>	<u>8,700</u>

The actual return on the Plan assets was:

	Year ended 30 September	
	2019	2018
	\$	\$
Actual return on Plan assets	<u>329,400</u>	<u>283,300</u>

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation (continued)

(a) *Retirement benefit (obligation)/asset - pension benefits* (continued)

The Plans' assets are fully invested in a diversified general portfolio fund managed by the various Trustees. Asset allocation is as follows:

	As at 30 September	
	2019	2018
	\$	\$
Locally listed equities	2,888,300	2,952,300
Overseas equities	1,431,900	2,103,600
Bonds	4,438,900	4,694,400
Mortgages	18,400	20,900
Mutual Funds	109,300	174,600
Cash and cash equivalents	<u>387,400</u>	<u>774,100</u>
Fair value of Plan assets at end of year	<u>9,274,200</u>	<u>10,719,900</u>

The principal actuarial assumptions used were as follows*:

	As at 30 September	
	2019	2018
	\$	\$
Discount rate	5.50%	5.50%
Future salary increases	--	--

* Percentages shown are per annum

No allowance was made for increases to pensions in payment or deferment. This is consistent with the basis used in previous years. Any pension increases granted are thus treated as a once-off event and would give rise to a past service cost under IAS 19 in the year of implementation. An allowance for future administrative expenses of 0.25% of pensionable earnings was assumed in the respective years.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics. Post-retirement mortality is obtained from the Standard PMA (80) and PFA (80) tables centred in year 2010 for current pensioners and 2020 for future pensioners.

These tables translate the average life expectancy in years and experience history of a pensioner retiring at age 60 as follows:

Mortality assumptions:

	As at 30 September	
	2019	2018
	\$	\$
Life expectancy at age 60 for current pensioners in years		
Male	21.7	21.0
Female	26.0	25.1
Life expectancy at age 60 for current members aged 40 in years		
Male	22.6	21.4
Female	26.9	25.4

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation (continued)

a. Retirement benefit (obligation)/asset - pension benefits (continued)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2019, would have changed as a result of a change in these assumptions.

	1% pa higher \$	1% pa lower \$
- Discount rate	(813,900)	971,400

An increase of one (1) year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2019 by \$143,700 (30 September 2018: \$147,000)

The sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

b. Retirement benefit obligation – medical benefits

Up to 30 November 2018, there were two medical Plans (“old plans”) covering all retirees and their dependents, namely one covering non-Trinmar persons and the separate Trinmar Plan collectively referred to as the “Old Plans”.

From 30 November 2018, onwards the old plans have been terminated and have been replaced by the arrangements described below, which will provide medical cover only for the fixed year up to 30 November 2020 referred to as the “Temporary Plan”.

The temporary plan consists of two elements:

- Medical benefits provided by an insurance contract with Sagacor Life Inc.
- Separate *\$20 million for a “Critical Care Fund” set up by PETROTRIN in respect of the full two years period.

The cost of the plan is *\$150 million for the two years. The fair value of this obligation is shown below:

*Amounts shown as absolute figures.

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation (continued)

b. Retirement benefit obligation – medical benefits (continued)

Net liability in the Statement of Financial Position:

	As at 30 September	
	2019	2018
	\$	\$
Present value of defined benefit obligation	70,100	130,200
Fair value of plan assets*	<u>(30,700)</u>	<u>--</u>
Net Defined Benefit Liability	<u>39,400</u>	<u>130,200</u>

* This asset represents the difference between the amounts paid by the Company in respect the old medical plan and the initial funding to Sagicor and direct payments made by the Company and Sagicor.

Movement in present value of defined benefit obligation:

	As at 30 September	
	2019	2018
	\$	\$
Defined benefit obligation at start of year	(130,200)	(2,536,700)
Current service cost	--	(54,200)
Interest cost	(2,300)	(136,800)
Curtailment	--	2,187,800
<i>Re-measurements:</i>		
Experience Adjustments	(8,400)	316,700
Actuarial loss from changes in financial assumptions	(200)	(2,400)
Benefits paid by Company (net of retiree contributions)	<u>71,000</u>	<u>95,400</u>
Retirement benefit obligation at end of year	<u>(70,100)</u>	<u>(130,200)</u>

Movement in fair value of plan assets:

	As at 30 September	
	2019	2018
	\$	\$
Fair value of plan assets at start of the year	--	--
Interest income	1,200	--
Return of plan assets, excluding interest income	(1,200)	--
Amount paid by Company	101,700	95,400
Direct benefit payments and premiums	<u>(71,000)</u>	<u>(95,400)</u>
	<u>30,700</u>	<u>--</u>

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation (continued)

b. Retirement benefit obligation – medical benefits (continued)

The amounts recognised as part of administrative expenses in profit or loss was determined as follows:

	As at 30 September	
	2019	2018
	\$	\$
Current service cost	--	(54,200)
Interest on retirement benefit obligation	(1,100)	(136,800)
Curtailement	<u>--</u>	<u>2,187,800</u>
Net benefit cost (Note 20)	<u>(1,100)</u>	<u>1,996,800</u>

Re-measurements recognised in other comprehensive income:

	As at 30 September	
	2019	2018
	\$	\$
Re-measurements experience adjustments	<u>(9,800)</u>	<u>314,300</u>

Summary of principal assumptions used were as follows*

	As at 30 September	
	2019	2018
Discount rate	2.00%	2.75%
Medical expenses increases	--%	--%

* Percentages shown are per annum.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2019, would have changed as a result of a change in the assumptions used.

	1% pa higher	1% pa lower
	\$	\$
- Discount rate	281	(286)
- Medical expenses increases	<u>--</u>	<u>--</u>

The sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

14 Retirement Benefit Obligation (continued)

c. Accounting policies

(i) Defined benefit plans

Retirement benefits for ex-employees are provided through two (2) defined benefit plans, which are funded by contributions from employers and employees. The schemes are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Other post-employment obligations

The Company provides post-employment healthcare benefits to its retirees through an insurance company (Sagikor Life Inc.) until 30 November 2020.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

15 Trade and Other Payables

	As at 30 September	
	2019	2018
	\$	\$
Trade payables	305,025	984,966
Benefits due to employees	79,696	811,040
Restructuring provision (Note 15 (c))	389,009	2,252,729
Accrued expenses	176,698	622,868
Accrued interest	38,249	144,682
Other payables	<u>189,158</u>	<u>190,412</u>
Trade and other payables excluding statutory liabilities	<u>1,177,835</u>	<u>5,006,697</u>

a. Accounting policy

Trade payables

These amounts represent liabilities for goods and services provided and unpaid benefits due to employees as at 30 September 2019 and 30 September 2018 respectively. These amounts are unsecured and are due within 60 days of recognition.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

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.

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

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

15 Trade and Other Payables (continued)

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.

c. *Restructuring provisions*

	As at 30 September	
	2019	2018
	\$	\$
Termination benefit	7,532	1,851,697
Contract termination penalties	65,943	68,475
Onerous contract provisions	314,934	315,226
Professional fees	600	15,724
Legal costs	--	1,607
	<u>389,009</u>	<u>2,252,729</u>

d. *Onerous contract provisions*

In the previous fiscal year there were certain contracts which were executed with key utility providers which the Company could not terminate for strategic reasons. These contracts were considered onerous as there were unavoidable costs under the contracts which exceeded the economic benefits expected to be received. As a result, a provision was made for these services. The contracts between PETROTRIN and the contractors listed below still carry a financial commitment, even though the services are no longer required by the Company, similar to a take or pay contract. Due to ongoing negotiations with these service providers, should the commitments be waived, the amounts will be reversed in a subsequent period when the decision is known. The following is a list of the services provided and the accrued penalties for the executed contracts.

Type of Service provided	As at 30 September	
	2019	2018
	\$	\$
Slop processing located in the Refinery	8,971	8,971
Supply of Nitrogen Gas	46,679	46,679
Supply of PIMPS software	9,803	9,803
Supply of Electricity	249,481	249,480
Provision of softener for 10 cooling Tower	--	140
Provision of FCCU Catalyst loader	--	153
	<u>314,934</u>	<u>315,226</u>

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

16 Borrowings

	As at 30 September	
	2019	2018
	\$	\$
Sulphur Diesel Plant	--	5,737,095
Gasoline Optimisation Project	--	1,687,513
Amounts reclassified from short-term loans	<u>336,638</u>	<u>--</u>
	<u><u>336,638</u></u>	<u><u>7,424,608</u></u>
<i>of which:</i>		
Current portion	--	7,424,608
Non-current portion	<u>336,638</u>	<u>--</u>
	<u><u>336,638</u></u>	<u><u>7,424,608</u></u>
	2019	2018
	%	%
Weighted average effective interest rates	5.35	8.90

Description	US\$850 Million* (TT\$ Equivalent - \$5,780 Million)*	US\$750 Million* (TT\$ Equivalent - \$5,100 Million)*
Carrying value at 30 September 2019	Nil	Nil
Carrying value at 30 September 2018	TT\$5,737,095	TT\$1,687,513
Carrying value at 30 September 2017	TT\$5,720,398	TT\$2,081,489
Currency	USD	USD
Type of Notes offered by PETROTRIN	Senior Unsecured Notes under 144 A/Reg S	Senior Unsecured Notes under 144 A/Reg S
Ratings (See Note 4.1 (c) and Note 43 (i))	B1/BB by Moody's Investor Services and Standard and Poor's respectively	B1/BB by Moody's Investor Services and Standard and Poor's respectively
Date of loan	August 14 2009	May 08 2007
Fixed coupon rate	9.75% per annum	6.00% per annum
Yield	9.88%	6.06%
Tenor	10 years	15 years
Moratorium	--	3 years on principal repayments
Interest payments	Payable semi-annually on August 14 and February 14 commencing on August 14 2009	Payable semi-annually on May 08 and November 08 commencing May 08 2007
Principal repayments	Bullet	24 equal semi-annual instalments on each May 08 and November 08 of US\$31,250/TT\$211,008 beginning November 08 2010
Maturity	August 14 2019	May 08 2022
Transfers	Trinidad Petroleum Holdings Limited	
Redemption	Subject to optional redemption	Subject to optional redemption
Interest on USLD	Effective FY 2014, the interest portion relating to this plant has been expensed in the Profit/Loss as active construction on this plant has ceased.	
Covenants	Standard Investment Grade covenants apply including limitations on liens, limitations on sale and leaseback transactions and limitations on consolidation, merger and sale of assets. PETROTRIN is required to furnish to the Trustee and Holders of the Notes, its quarterly and annual audited financial statements. The former is due within 60 calendar days after the end of each of the first three financial quarters and the latter within 150 calendar days after the end of each fiscal year. Failure to comply with the above reporting requirement does not constitute an event of default in accordance with loan documentation.	
Events of Default	Nil	

*Amounts shown as absolute figures.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

16 Borrowings (continued)

a. Accounting policy

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

b. Reconciliation

	As at 30 September	
	2019	2018
	\$	\$
Opening balance as at 1 October	7,424,608	7,801,887
Repayment of loan	(195,641)	(391,281)
Amounts reclassified from short-term loan	336,638	--
Loan transfer to TPHL (note 2.3 (b))	(6,826,071)	--
Shareholder loan repaid by TPHL on behalf of Petrotrin (2.3(b))	(1,200,000)	--
Proceeds of loan from shareholder	1,200,000	--
Movement in prepaid borrowing costs	2,857	--
Exchange difference	<u>(405,753)</u>	<u>14,002</u>
Closing balance as at 30 September	<u>336,638</u>	<u>7,424,608</u>

As per the Supplemental Indenture dated 30 November 2018 the 9.75% Notes due 2019 and 6.000% Notes due 2022 were transferred from PETROTRIN (Existing Obligor) to Trinidad Petroleum Holdings Company Limited (New Obligor).

c. Shareholder loan

This unsecured loan, provided to PETROTRIN to partly finance the closing costs associated with the restructuring of PETROTRIN was payable in a single bullet payment on the maturity date at an interest rate of 3.05% per annum. The principal of this loan was repaid by TPHL on behalf of PETROTRIN on 28 June 2019.

d. Secured – GORTT guaranteed loan

One short-term loan was refinanced on 20 September 2019 for two (2) years. The principal balance on this loan was therefore reclassified from short-term loans to borrowings in financial year ended 30 September 2019. This is a US\$50 million loan from a financial institution. Interest is charged at LIBOR plus a spread.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

17 Short Term Loans

	As at 30 September	
	2019	2018
	\$	\$
Secured – GORTT guarantee	2,371,721	1,553,018
Unsecured	<u>109,071</u>	<u>1,865,333</u>
Short term loans	<u><u>2,480,792</u></u>	<u><u>3,418,351</u></u>

The effective interest rate ranged from 4.11% to 7.13% (2018: 4.14% to 6.52%) per annum. They had varying maturity dates of 90 to 360 days (2018: 5 to 362 days). In financial year 2019, loans in the sum of \$ 2,064,964 were repaid as scheduled. During the current year, loans from three non-resident lenders and four resident lenders were repaid.

18 Provisions

	As at 30 September	
	2019	2018
	\$	(Restated) \$
Opening amount as at 1 October	36,861	3,582,312
Revision of estimates	(9,876)	4,443,977
Unwinding of discount	62,102	192,031
Utilisation	--	(4,757)
Translation differences	27	(31,061)
Less: Amounts distributed/held for distribution	<u>(62,102)</u>	<u>(8,145,641)</u>
Closing balance at 30 September	<u><u>27,012</u></u>	<u><u>36,861</u></u>

In the current year the provision for dismantlement relates to estimated abandonment liabilities for tanks and other facilities at Pointe-a-Pierre which remained with PETROTRIN. The Provision represents Management's best estimate of the cost of dismantling these assets.

In the prior year, the provision represented Management's best estimate of the cost of dismantling exploration and production assets at the end of the producing lives of the fields and at the end of its useful life and includes the costs of environmental remediation. The provision also represents Management's best estimate of the cost of dismantling refining and marketing assets.

Obligations related to the removal of tangible equipment and the restoration of land once operations are terminated requires the recognition of a significant provision for decommissioning. To determine costs to dismantle refining assets which were not transferred to the newly incorporated entities, quotations were sent to obtain the cost estimates for the labour, materials and equipment. As there is no agreed plan on when these assets will actually be dismantled, the provision was calculated on the basis that this is a current liability.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

18 Provisions (continued)

Where two cost quotes were received for the same line item, an average of the cost was used. However, if for instance, one of the contractors quoted an amount for the same line item which was vastly different from the quotes received from other contractors, then this amount was excluded when calculating the average costs. In cases where no quotations were received for a particular line item, the prior year cost was used as it is not expected to differ significantly due to the nature/type of the cost.

The duration (i.e. hours) and quantities required is constant from prior year because the process to dismantle remains the same.

The estimated decommissioning cost at the end of the producing lives of fields is reviewed annually and is based on engineering estimates and reports. Provision is made for the estimated cost of decommissioning at the reporting date. The provision has been estimated using existing technology, at current prices using an escalation rate. Effective 01 December 2018, the decommissioning provision in relation to the exploration and production assets and refining and marketing assets were vested into the new Companies under common control.

The amount and timing of settlement in respect of future exploration and production decommissioning provisions are uncertain and dependent on various factors that are not always within Management's control but are currently anticipated to be between 2019 and 2065.

In 2018, the Point Fortin Refinery which was shut down in 1990 and accompanying asset (jetty, berths, tank farms) was treated as remaining with PETROTRIN and the dismantlement provision was calculated as current liability. During the current year, it was noted that the Point Fortin Refinery and accompanying assets were vested with Heritage. As such the dismantlement calculation for the Point Fortin Refinery was recalculated using the same time horizon, escalation and discount rates which applied to the Trinmar assets. This resulted in a reduction of the dismantlement provision and a restatement of these amounts for the year ended 30 September 2018 (see note 30).

- a. *Accounting policy*
Refer to Notes 5 (a) and 15 (a).
- b. *Decommissioning and environmental obligations estimate*
 - (i) *Decommissioning obligation*
Refer to Note 5 (a) (i).
 - (ii) *Environmental liabilities*

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

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

19 Revenue

	Year ended 30 September	
	2019	2018
	\$	\$
Refined products sales	2,034,945	23,403,861
International crude oil sales	599,796	--
Natural gas sales	136,662	395,020
Local crude oil sales	40,172	289,028
Royalty income	76,562	432,242
Natural gas liquid sales	<u>2,957</u>	<u>15,747</u>
	<u>2,891,094</u>	<u>24,535,898</u>

a. Accounting policy

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

PETROTRIN bases its estimates on the type of customer, the type of transaction and the specifics of each arrangement. Revenue generated reflects only activity for two months since the Company ceased operations on 30 November 2018.

(i) Sales revenue

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

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

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

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

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

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

19 Revenue (continued)

a. *Accounting policy (continued)*

(ii) *Refined products*

Revenue of refined product via shipment is recognised 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 recognised when refined product passes at the inlet point of the road tank wagon. It is at that date control is transferred to the acquirer.

(iii) *Royalty income*

Royalty income is recognised over time on an accrual basis in accordance with the substance of the relevant agreements. Royalty income is comprised mainly of overriding royalties from lease operator and farmout arrangements.

(iv) *Interest income*

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

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

(v) *Marine income and processing fees*

Marine income and processing fees are recognised upon delivery of services and customer acceptance. Marine income is comprised mainly of wharf dues, barging fees, tug and launch hire.

(vi) *Rental income from NiQuan*

Rental income is mainly from the lease of a parcel of land at Point-a-Pierre to NiQuan. Revenue is recognised in the period in which it relates to.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

20 Expenses by Nature

Year ended 30 September 2019

	Cost of Sales	Administrative Expenses	Marketing Expenses	Other Expenses	Total
	\$	\$	\$	\$	\$
Purchases	1,396,929	--	--	--	1,396,929
Production taxes (Note 2.2)	320,035	--	--	--	320,035
Employee benefit expense (Note 24)	270,176	156,472	15,712	--	442,360
Production and refining expense	239,434	--	--	--	239,434
Movement in inventories	1,097,960	--	--	--	1,097,960
Impairment of PPE (Note 5)	--	1,345	--	--	1,345
Depreciation (Note 5)	--	--	--	4,422	4,422
Rental of equipment	92,222	5,826	380	--	98,428
Net medical benefit cost (Note 14.1 (b))	--	1,100	--	--	1,100
Charge for bad and doubtful debts (Note 4 (a) (iii))	190,869	5,246,087	--	--	5,436,956
Directors and key management Remuneration (Note 2.1)	--	715	--	--	715
Net pension cost (Note 14.1 (a))	--	35,000	--	--	35,000
Other expenses	10,697	*(59,174)	9,601	3,000	(35,876)
Total	<u>3,618,322</u>	<u>5,387,371</u>	<u>25,693</u>	<u>7,422</u>	<u>9,038,808</u>

* Credit balance relates to reversal of prior year accruals.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

20 Expenses by Nature (continued)

	Year ended 30 September 2018 (Restated)				
	Cost of Sales	Administrative Expenses	Marketing Expenses	Other Expenses	Total
	\$	\$	\$	\$	\$
Purchases	16,717,323	--	--	--	16,717,323
Production taxes	1,943,223	--	--	--	1,943,223
Employee benefit expense (excluding termination benefits) (Note 24 (a))	1,207,966	575,537	61,873	--	1,845,376
Termination benefits (Note 24 (b))	--	1,851,697	--	--	1,851,697
Production and refining expense	1,892,144	--	--	--	1,892,144
Movement in inventories	(669,416)	--	--	--	(669,416)
Amortisation of intangible Assets (Note 5)	430,008	--	--	9,502	439,510
Write back of negative assets*	(55,956)	--	--	--	(55,956)
Depreciation (Note 5)	1,412,312	--	--	15,368	1,427,680
Rental of equipment	396,830	9,745	2,633	--	409,208
Impairment – PPE (Note 5)	15,089,769	140,989	--	--	15,230,758
Net medical benefit cost (Note 14.1 (b))	--	(1,996,800)	--	--	(1,996,800)
Charge for bad and doubtful debts (Note 4 (a) (iii))	390,013	(2,644)	--	--	387,369
Directors and key management Remuneration (Note 2.1)	--	10,090	--	--	10,090
Net pension cost (Note 14.1 (a))	--	(472,900)	--	--	(472,900)
Loss on foreign currency	--	--	--	(36,430)	(36,430)
Other expenses	** (53,377)	74,661	86,675	32,427	140,386
Total	38,700,839	190,375	151,181	20,867	39,063,262

* This relates to the write back of negative assets relating to the Point Fortin Refinery and 35% share of Brighton Marine area Joint Venture because the asset was over depleted in prior years.

** Credit balance relates to reversal of prior year accruals.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

21 Impairment Write-Back/ (Losses) Related to Investments

	Year ended 30 September	
	2019	2018 (Restated)
	\$	\$
Impairment loss related to loans receivable:		
- WGTL -TL in receivership (NIQUAN)	--	(2,830)
Impairment related to shares in LABIDCO (note 6)	<u>(1,138)</u>	<u>(22,725)</u>
	<u>(1,138)</u>	<u>(25,555)</u>
Reversal of previous impairment losses:		
-WGTL- TL (NIQUAN)	--	68,782
-LATT	<u>--</u>	<u>2,334</u>
Net impairment (loss)/write-back	<u>(1,138)</u>	<u>45,561</u>

Based on a valuation undertaken by a professional valuation firm, LABIDCO shares were impaired by \$1,138 (2018: \$22,725). (Refer to Note 6).

22 Other Operating Income

	Year ended 30 September	
	2019	2018 (Restated)
	\$	\$
Marine income	10,490	86,704
Income from utilities*	28,298	5,904
Interest on receivables	8,770	55,897
Storage fees	70	413
Access fees	1,126	6,744
Sulphuric acid	1,015	8,356
Litigation settlement**	135,374	--
Gain on foreign currency	38,159	--
Other income	<u>2,644</u>	<u>13,593</u>
	<u>225,946</u>	<u>177,611</u>

* The increase in income from utilities were based on an executed agreement dated 11 July 2018 between the two parties PETROTRIN and NiQuan Energy Trinidad Limited for the supply of electricity to the GTL plant.

** The litigation settlement was a result of a matter between Samsung Engineering Trinidad Company Limited and PETROTRIN.

23 Net Finance Costs

	Year ended 30 September	
	2019	2018
	\$	\$
<i>Finance cost</i>		
- Bank borrowings and bank charges	(301,524)	(866,466)
- Finance charge on decommissioning costs	<u>(62,102)</u>	<u>(192,031)</u>
	(363,626)	(1,058,497)
<i>Finance income</i>		
Interest income on short term investments	<u>1,516</u>	<u>2,009</u>
Net finance costs	<u>(362,110)</u>	<u>(1,056,488)</u>

In the year ended 30 September 2019 PETROTRIN incurred interest on borrowings of \$ 296,801 (2018: \$ 841,016). In 2018, \$ 188,804 relates to interest on general borrowings which were capitalised. In 2019 there were no interest capitalised on borrowings.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

24 Employee Benefits Expense

a. *Employee benefit expense (excluding retirement benefits and termination benefit)*

	2019	2018
	\$	\$
Salaries and wages	263,359	1,319,278
Allowances	68,926	113,224
Overtime	37,576	188,732
Other personnel costs	12,602	11,384
Medical services	33,991	44,909
Travel plan	5,237	19,293
Housing aid	2,828	18,014
Savings plan	7,270	44,215
National insurance	10,495	86,327
Voluntary selective separation plan	76	--
	<u>442,360</u>	<u>1,845,376</u>

b. *Termination benefit*

	<u>--</u>	<u>1,851,697</u>
--	-----------	------------------

Termination benefits include severance costs upon the termination of all employees effective 30 November 2018. As part of the employees termination packages qualifying individuals were also entitled to back pay, annual vacation leave and other benefits which have been provided for in fiscal year 2018.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

25 Contingent Liabilities

a. *Housing loan guarantee*

Effective 30 November 2018, all guarantees for mortgage-housing loans made by various financial institutions to its employees participating in the housing aid scheme operated by the Company has ceased following the termination of all employees (2018: \$ 4,893).

The Company is contingently liable as Guarantor in respect of Staff Housing Loans to a maximum of \$ 13,500, drawn at:

i) Point Fortin Branch -

Secured by Deed of Agreement between Company and Bank re Housing Loans to Employees (Company liable for top 30% should employees leave employ). Supported by individual freehold and leasehold mortgages in sundry names.

ii) Trust & Asset Management Division-

Secured by Deed of Agreement between Company and Bank re Housing Loans to Employees (Company liable for top 30% should employees leave employ). Supported by individual freehold and leasehold mortgages in sundry names.

Details of security on the loans

- Guarantee dated 06 April 1976, signed under seal by Trinidad Tesoro Petroleum Company Limited covering loan to an overall limit of \$ 5,000.
- Registered Deed of Variation Number 16647/77, dated 08 September 1977, increasing employees' individual loan limit to \$ 50 and staff individual loan limit to \$ 150.
- Deed of Variation and Confirmation of Guarantee Number 6197/79, dated 02 April 1979. Supplemental to Deed of Guarantee dated 06 April 1976, signed under seal by Trinidad Tesoro Petroleum Company Limited, increasing the Guarantor's liability from \$ 5,000 to \$ 10,000.
- Deed of Variation and Confirmation of Guarantee Number 22107, dated 11 December 1979. Supplemental to Deed of Guarantee dated 06 April 1976 signed under seal by Trinidad Tesoro Petroleum Company Limited, increasing the Guarantor's liability from \$ 10,000 to \$ 20,000.
- Deed of Variation and Confirmation of Guarantee dated 18 May 1993. Supplemental to Deed of Guarantee dated 06 April 1976, signed under seal by Trinidad Tesoro Petroleum Company Limited, increasing the Guarantor's liability from \$ 20,000 to \$ 25,000.
- Deed of Variation and Confirmation of Guarantee dated 09 July 1997. Supplemental to Deed of Guarantee dated 06 April 1976, signed under seal by Trinidad Tesoro Petroleum Company Limited, increasing the Guarantor's liability from \$ 25,000 to \$ 60,000.
- Special Guarantee signed by the United British Oilfields of Trinidad Limited formerly called Shell Trinidad Limited, later known as Trinidad and Tobago Oil Company Limited dated 18 February 1955 together with Power of Attorney dated 12 August 1954, duly registered authorizing G. L. Reid to sign the Guarantee on behalf of the company confirming by the board of Directors that additional loans up to an overall limit of \$ 1,000 should fall under the guarantee of 18 February 1955.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

25 Contingent Liabilities (continued)

a. *Housing loan guarantee (continued)*

Details of security on the loans (continued)

- Guarantee dated 26 June 1967, with amendments dated 07 April 1969, signed by Shell Trinidad Limited later known as Trinidad and Tobago Oil Company Limited, together with a certified copy of resolution of the Board of Directors covering the Guarantee. This Guarantee covers loans up to an overall limit of \$ 2,000 (including advances covered by their Guarantee dated 08 February 1975) to be granted as outlined above.
- Amendment dated 24 March 1975, to the Guarantee dated 26 June 1967, increasing the Housing Loans from \$ 2,000 to \$ 2,500.
- Certified Copy of a Resolution of the Board of Directors of Trinidad and Tobago Oil Company Limited re: Meeting held on 18 March 1975, authorizing an increase in the overall limit of \$ 2,500 including advances covered by their Guarantee dated 18 February 1955, and 26 June 1976.
- Agreement dated 11 November 1977 which documents the several Guarantees/Agreements and Amendments thereto since inception and also amending the individual housing loans limit to both monthly paid staff and hourly/weekly rated employees to \$ 150,000. Also restricting the Company's Guarantee to the top original 30 percent of such advances including the cost of Mortgage Life Insurance and also increasing Trinidad and Tobago Oil Company (TRINTOC) total liability to \$ 5,000.
- Amendment dated 16 April 1980, to the Guarantee dated 11 November 1977 increasing the Housing Loans from \$ 5,000 to \$ 7,500.
- Amendment dated 14 August 1981, to the Guarantee dated 11 November 1977 increasing the Housing Loans to \$ 9,000.

b. *Letter of credit*

By virtue of the Vesting Act, the obligation to provide a letter of credit to meet PETROTRIN's 15% share of its abandonment liability with respect to its TSP Joint Venture was transferred to Heritage. As at 30 September 2019, letters of credit amounted to nil (2018: \$ 146,578/US\$ 21,708).

Bills discounted – Nil (2018: Nil)

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

25 Contingent Liabilities (continued)

c. *Litigation*

Contractors' claims against the Company amounted to \$ 429,327 (2018: \$ 210,740) for which the Company has not recognised an obligation.

Contractor claims in dispute amounting to \$ 135,446 are booked within trade and other payables.

In addition, there are a number of other legal claims against the Company amounting to \$ 27,607 (2018: \$ 44,351) in the ordinary course of business, including employment and pollution. At present, it is not possible to predict the outcome of such legal proceedings; however, the Company believes that they will be resolved with no significant impact on Company operations, financial position or liquidity and as such no provisions have been recognised in these financial statements.

Additionally, there were several unresolved disputes with the Oilfield Workers Trade Union ("OWTU") totalling \$ 2,384,763, which involve allegations that PETROTRIN incorrectly calculated or failed to pay termination benefits, incorrectly calculated pension benefits and failed to pay various allowances and subsidies. At this time, it is not possible to predict the outcome of most of these disputes and as such, the Company did not recognise an amount of \$ 2,383,361 as an obligation in the fiscal year 2019. However, an accrual in the amount of \$ 1,402 was recorded in the 2019 fiscal year with regards to these matters.

d. *Customs and Immigration bonds*

Contingent liabilities in respect of customs and immigration bonds amounted to approximately \$ 2,248 (2018: \$ 2,248). Applications were made effective 01 December 2018 to Customs and Excise Division to cancel the bonds following the decision to discontinue operations. As at 30 September 2019, the cancellation certificates have not been received.

e. *Financial support guarantee*

Further to a letter of guarantee dated 23 September 1999, as the major shareholder in Trintomar with respect to abandonment liabilities, PETROTRIN has provided a guarantee of financial support to Trintomar in the event that Trintomar cannot meet its normal operating commitment. As per 2018 Vesting Act the assets and liabilities of Trintomar has been vested with Heritage Petroleum Company Limited.

f. *Other*

In various press releases, the Prime Minister of the Republic of Trinidad and Tobago publicly announced the provision of enhanced termination packages to ex-PETROTRIN workers in terms of priority housing and agricultural incentives. In 2019 all ex-employees that satisfied certain prerequisite were invited to apply for residential plots of land.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

26 Commitments

a. Sales commitments

Prior to 30 November 2018, the Company had entered into long-term sales contracts with a number of its customers. Subsequent to 30 November 2018, these contracts were novated to Paria Fuel Trading Company Limited. At the reporting date, these amounted to approximately nil (2018: \$1,028,040) as outlined below. This was for the delivery of contracted volumes. The selling price used to value the commitment is a formula based on Platt's reference price, which was then forecasted based on Petroleum Institute Research Associates forecasts. Sales price at the actual date of sale was based on the pricing formula referenced to the Platt's posting.

Product	Year ended 30 September			
	2019		2018	
	BBLs	\$	BBLs	\$
Gasoil	--	--	12,015	7,936
Jet Fuel	--	--	18,565	12,217
Mogas	--	--	114,434	64,147
Fuel Oil	--	--	655,034	304,138
Mixed	--	--	1,038,354	639,602
	<u>--</u>	<u>--</u>	<u>1,838,402</u>	<u>1,028,040</u>

b. Purchases commitments as at 30 September 2019 is nil (2018: \$804,302) as outlined below.

Product	Year ended 30 September			
	2019		2018	
	BBLs	\$	BBLs	\$
Gasoil	--	--	729,446	419,515
Jet Fuel	--	--	239,276	153,785
Mogas 95 RON	--	--	234,348	127,982
Mogas 92 RON	--	--	239,264	103,020
	<u>--</u>	<u>--</u>	<u>1,442,334</u>	<u>804,302</u>

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value

a. *Fair Value - Investments*

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, PETROTRIN has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is provided below.

At 30 September 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments				
LABIDCO preference shares	--	--	--	--
Total financial assets				
At 30 September 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investments				
LABIDCO Preference Shares	--	--	1,138	1,138
Total financial assets	--	--	1,138	1,138

(ii) *Recognised fair value measurements*

There were no changes in levels 1 and 2 for recurring fair value measurements during the year. This is the second year PETROTRIN has carried out a fair value assessment and all of the Company's investments are classified as level 3 as outlined above. PETROTRIN's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by PETROTRIN is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value (continued)

a. *Fair Value – Investments* (continued)

(iii) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- the fair value of the NiQuan Energy Trinidad Limited Preference shares was determined using a conservative view that the instrument would have no material value
- the fair value of the LABIDCO investment was determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 3.

(iv) *Valuation inputs and relationships to fair value*

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair Value at		Unobservable inputs	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	30-Sep-19 \$	30-Sep-18 \$		2019	2018	
LABIDCO Preference shares	Nil	1,138	Earnings growth factor	Nil	\$1,190- \$1,140	Any further decrease in the income would not impact the investment as it has already been valued at nil.
NiQuan Energy Trinidad Limited Preference shares	Nil	N/A	Discount rate	N/A	N/A	Any further increase in the discount rate would not impact the investment as it has already been valued at nil.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value (continued)

b. Fair Value - Land and Buildings Including Medical Centres which were not Vested

Land and Buildings and Medical Centres

(i) Valuation processes

The decision to cease operations and restructure PETROTRIN in 2018 was considered an impairment trigger for corporate assets. The Board of Directors engaged valuers to value the properties.

Valuation of land and buildings:

The various land and buildings were valued using a cost or income capitalisation approach based on the assumed land area for each of the subject properties.

In the absence of deeds and maps 'the best estimate of the land area (footprint) for each property was the fenced area in which it is located. Some of the properties did not have a perimeter fence encompassing the entire property and therefore Google Maps aerial imaging was used to approximate property boundaries in respect of the subject properties. The surrounding access roads and fences where possible was also used as an undemarcated borderline to establish a site area for the subject properties.

Valuation of medical centres:

The various medical centres throughout the country were valued using an income capitalisation approach-based income stream which is believed to be representative of the market rent achievable given the size, location and physical condition of these facilities.

There were no changes in level 2 and 3 fair values as this is the second year PETROTRIN has carried out fair valuations over certain of its assets due to the decision to restructure and the basis of presentation adopted as described in Note 28.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value (continued)

b. Fair Value - Land and Buildings Including Medical Centres which were not Vested (continued)

Land and Buildings and Medical Centres (continued)

(i) Valuation processes (continued)

Valuation of medical centres (continued)

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, PETROTRIN has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in (Note 27 (a) (ii)).

(ii) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured. To provide an indication about the reliability of the inputs used in determining fair value, PETROTRIN has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in (Note 27 (a) (ii)).

	2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Medical centres	--	--	19,830	19,830
Land and Buildings	--	--	137,290	137,290
Total non-financial assets	--	--	157,120	157,120

	2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Medical centres	--	--19,830	19,830	--
Land and Buildings	--	--	165,240	165,240
Total non-financial assets	--	--	185,070	185,070

(iii) Recognised fair value measurements

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. This is the second year PETROTRIN has carried out a fair value assessment and all of PETROTRIN land and buildings and medical centres is classified as level 3.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value (continued)

b. *Fair Value - Land and Buildings Including Medical Centres which were not Vested (continued)*

Land and Buildings and Medical Centres (continued)

(iv) *Valuation techniques used to determine level 2 and level 3 values*

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3. The level 2 fair value of land held for resale has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

c. **Fair Value – R&M Assets**

(i) *Fair value hierarchy*

On December 01, 2018, these assets were transferred to The Guaracara Refining Company Limited and Paria Fuel Trading Company Limited, and as such, no valuation was required by PETROTRIN. The following note explains the prior year judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, PETROTRIN has classified its non-financial assets into the three levels prescribed under the accounting standards. An explanation of each level is provided in (Note 27 (a) (ii)).

	2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
R&M assets	--	--	617,600	3,617,600
Terminalling assets	--	--	924,800	924,800
Total non-financial assets	--	--	4,542,400	4,542,400

(ii) *Recognised fair value measurements*

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. This is the second year PETROTRIN has carried out a fair value assessment and all of PETROTRIN R&M assets, land and buildings and medical centres is classified as level 3.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value (continued)

c. Fair Value – R&M Assets (continued)

(iii) Valuation techniques used to determine level 2 and level 3 values

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3. The level 2 fair value of land held for resale has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value (continued)

d. Fair Value – Valuations Inputs and Relationships to Fair Value

Valuations inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair Value as at	Carrying Value as at	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
	30-Sep-19 \$	30-Sep-19 \$		2019	
Land and Buildings - Administration Building	61,240	3,569	Acreage	12.25 acres	A variance of +/- 1.0 Acre in relation to the Administration Building or Refinery Laboratory would result in +/- TT\$3,267 and TT\$2,395 for the Hospital Building (subject to change).
Land and Buildings - Augustus Long Hospital (and associated buildings)	45,100	35,079	Acreage	5.2 acres	
Medical centres	19,830	8,068	Rent per sq. foot	\$3.50-\$22.50 per sq. foot	Depending on the size, type of accommodation and amenities provided
Land – Palo Seco Facilities	10,650	2,350	Acreage	16.33 acres	A variance of +/- 10% to 15% for Palo Seco property
Land and Buildings – Gobion Retreat, Mt Irvine Tobago	4,800	4,371	Acreage	0.59 acres	A variance of - 15% to -30% for land and building.
Land and Buildings – Queen's Park West	7,400	8,745	Acreage	0.36 acres	A variance of +/- 10% to 15% for land and building.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value (continued)

d. Fair Value – Valuations Inputs and Relationships to Fair Value (continued)

Valuations inputs and relationships to fair value (continued)

Description	Fair Value as at	Carrying Value as at	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
	30-Sep-18 \$	30-Sep-18 \$		2018	
Land and Buildings - Administration Building	61,240	664	Acreage	12.25 acres	A variance of +/- 1.0 Acre in relation to the Administration Building or Refinery Laboratory would result in +/- TT\$3,267 and TT\$2,395 for the Hospital Building (subject to change).
Land and Buildings - Augustus Long Hospital (and associated buildings)	45,100	17,692	Acreage	5.2 acres	
Land and Buildings - Refinery Lab (and associated buildings)	59,000	59,000	Acreage	5.2 acres	
R&M refinery assets	3,619,218	3,619,218	Effective age	- 5 years	The lower this variable the higher the fair value
			Minimum percentage good	- 5%	The lower this variable the higher the fair value
			Turnaround cost	+15 years normal useful life	The higher this variable the lower the fair value
			Replacement cost new	+20%	The higher this variable the lower the fair value
			Restart cost	+15%	The higher this variable the lower the fair value
			Run time (capacity)	- 25%	The lower this variable the lower the fair value

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

27 Fair Value (continued)

d. Fair Value – Valuations Inputs and Relationships to Fair Value (continued)

Valuations inputs and relationships to fair value (continued)

Description	Fair Value as at	Carrying Value as at	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
	30-Sep-18 \$	30-Sep-18 \$		2018	
Terminalling assets	920,331	479,936	Same as above	Same as above	Same as above
Medical centres	19,830	15,334	Rent per sq. foot	\$3.50-\$22.50 per sq. foot	Depending on the size, type of accommodation and amenities provided
Spares	151,832	156,934	Index and depreciated cost	15 year normal useful life and straight-line depreciation	N/A as there is no range
			Net realisable value	0% - 12%	The higher the percentage of cost, the higher the fair value
Catalyst	154,929	147,421	Purchase date	4 years ago	The more recent the purchase date the higher the fair value.
			Average cost per troy ounce adjusted to reflect timing and condition	N/A	The higher cost per troy ounce the higher the fair value
Land – Palo Seco Facilities *	--	2,527	N/A	N/A	N/A
Land and Buildings – Gobion Retreat, Mt Irvine Tobago *	--	4,858	N/A	N/A	N/A
Land and Buildings – Queen’s Park West *	--	9,938	N/A	N/A	N/A

* No independent valuations were performed for these properties as at 30 September 2018. These were carried at net book value.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies

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

a. *Basis of preparation*

These separate financial statements contain information about Petroleum Company of Trinidad and Tobago Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under IFRS 10, 'Consolidated financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiary are included by full consolidation in the consolidated financial statements of its ultimate parent Trinidad Petroleum Holdings Limited.

(i) *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).

(ii) *Basis of measurement*

In accordance with IAS 1 "Presentation of Financial Statements" the basis of preparing financial statements is a non-going concern following a decision by The Government of the Republic of Trinidad and Tobago to restructure the Company as described in Note 1.

As at 30 September 2019, the Company's deficit amounted to \$24,074,047 (2018: \$15,366,398) and as at that date, the Company's current liabilities (inclusive of assets held for distribution to owners) exceeded current assets by \$21,840,661 (2018: \$12,895,615). Assets held for distribution to owner amount to nil (2018: \$14,530,050). Management and the Board of Directors are in current negotiations with GORTT on the way forward with certain amounts due to the Board of Inland Revenue. Management and the Board of Directors are taking all reasonable steps to dispose of its assets at fair market rates and will utilise the proceeds to settle its third party liabilities. The impact on the measurement of the Company's assets and liabilities has been specified in the notes to the Financial Statements. Additionally, the Company has recognised possible contractual obligations as a result of the restructuring (See Note 15 (c)). The Company has also disclosed contingent liabilities that could arise from the restructuring process, (See Note 25).

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

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

The Company has applied the following standards and amendments for the first time for their annual reporting year commencing 1 October 2018:

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

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

a. *Basis of preparation (continued)*

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

Title	Key Requirements	Impact	Effective Date	Mandatory application date/ Date of adoption by Company
IFRS 16 Leases	<p>IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.</p> <p>Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.</p> <p>The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a year of time in exchange for consideration.</p>	<p>The Company has set up a project team who is in the process of reviewing all the Company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases.</p> <p>The impact of IFRS 16 has not yet been determined.</p>	<p>Effective for annual periods beginning on or after 1 January 2019</p> <p>Early adoption is permitted only if IFRS 15 is adopted at the same time.</p>	<p>The Company will apply the standard from its mandatory adoption date of 1 January 2019</p> <p>The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.</p>

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

a. *Basis of preparation (continued)*

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

Title	Key Requirements	Impact	Effective Date
Annual Improvements to IFRS Standards 2015-2017 Cycle	<p>The following improvements were finalised in December 2017:</p> <ul style="list-style-type: none"> • IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. • IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. • IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. 	Management is currently assessing the impact of this standard	Effective for annual periods beginning on or after 1 January 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	<p>The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:</p> <ul style="list-style-type: none"> • calculate the current service cost and net interest for the remainder of the reporting year after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income. 	Management is currently assessing the impact of this standard	Effective for annual periods beginning on or after 1 January 2019

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

a. *Basis of preparation (continued)*

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

Title	Key Requirements	Impact	Effective Date
Interpretation 23 Uncertainty over Income Tax Treatments	<p>The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:</p> <ul style="list-style-type: none"> • how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty • that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. <p>While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.</p>	Management is currently assessing the impact of this standard	Effective for annual periods beginning on or after 1 January 2019

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

a. *Basis of preparation (continued)*

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

Title	Key Requirements	Impact	Effective Date
<i>Prepayment Features with Negative Compensation – Amendments to IFRS 9</i>	The narrow-scope amendments made to AASB 9 Financial Instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.	Management is currently assessing the impact of this standard	Effective for annual periods beginning on or after 1 January 2019
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128 Investments in Associates and Joint Ventures.	Management is currently assessing the impact of this standard	Effective for annual periods beginning on or after 1 January 2019
<i>Definition of a Business – Amendments to IFRS 3</i>	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	Management is currently assessing the impact of this standard	Effective for annual periods beginning on or after 1 January 2020

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

a. *Basis of preparation (continued)*

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

Title	Key Requirements	Impact	Effective Date
Definition of Material – Amendments to IAS 1 and IAS 8	<p>The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.</p> <p>In particular, the amendments clarify:</p> <ul style="list-style-type: none">• that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and• the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	Management is currently assessing the impact of this standard	Effective for annual periods beginning on or after 1 January 2020

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

a. *Basis of preparation (continued)*

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

Title	Key Requirements	Impact	Effective Date
Revised <i>Conceptual Framework for Financial Reporting</i>	<p>The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:</p> <ul style="list-style-type: none"> • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. <p>No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.</p>	Management is currently assessing the impact of this standard	Effective for annual periods beginning on or after 1 January 2020

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

a. *Basis of preparation (continued)*

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

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 was the Company's functional currency up to 30 November 2018. Post 30 November 2018, due to the restructuring which resulted in the cessation of PETROTRIN's trading activities which were substantially denominated in United States Dollars, the Company changed its functional currency to Trinidad and Tobago dollars on the basis that going forward the Company's major cash flows are expected to be denominated in Trinidad and Tobago dollars. The financial statements are presented in Trinidad and Tobago dollars, rounded to the nearest thousand, which is the Company's presentation currency. Effective 01 December 2018, the Company's main stakeholders are the Government of the Republic of Trinidad and Tobago, the Ministry of Finance and its employees.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation to presentation currency

The financial position and results of the Company are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of reporting;
- income and expenses for the statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity/statement of comprehensive income.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

- c. Transactions with related parties (Note 2)
- d. *Property, plant and equipment – tangible and intangible (Note 5 a.)*
- e. *Available for sale financial instruments (Note 6 a.)*
- f. *Current and deferred income tax (Note 8 b.)*
- g. *Inventory (Note 9 a.)*
- h. *Receivables and prepayments (Note 10 a.)*
- i. *Cash and cash equivalents (Note 11 a.)*
- j. *Assets and liabilities held for distribution (Note 12 a.)*
- k. *Share capital (Note 13 a.)*
- l. *Retirement benefit (obligation/asset (Note 14 c.)*
- m. *Trade and other payables (Note 15 a.)*
- n. *Borrowings (Note 16 a.)*
- o. *Provision (Note 18 a.)*
- p. *Revenue (Note 19 a.)*
- q. *Fair value measurement*

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Certain of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account when pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

28 Summary of Significant Accounting Policies (continued)

q. Fair value measurement (continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

r. Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

29 Subsequent Events

As of the date of approval of these financial statements by the Directors, the following subsequent events were identified:

- (i) The effects of the global supply and demand factors and the Global Pandemic COVID-19 were determined by management to be non-adjusting events and therefore no adjustments were made for these in the financial statements.
- (ii) The Company had a number of ongoing litigation proceedings by contractors and third parties, several of which has been finally concluded after months of negotiation and PETROTRIN has paid \$61.0 million to date (excluding A&V Oil and Gas Limited settlement, refer to note iii below). This amount was included in the accruals reported in the 2019 Financial Statements as the litigation related to transactions which took place prior to financial year 2019.
- (iii) A dispute between PETROTRIN and A&V Oil and Gas Limited (A&V Oil) was resolved and a settlement agreement in favour of A&V Oil was reached in the sum of TT\$120.6M. An accrual for this amount has been made in the financial statements as the litigation relates to transactions which took place prior to financial year 2019. Of this amount, TT\$85.7M and US\$2.5M was paid on September 27, 2021.
In addition to the above, arbitration costs of TT\$8.8M was paid on November 29, 2021 and damages totaling TT\$18M was paid on January 26, 2022.
Legal costs incurred by PETROTRIN for services provided in financial year 2019 totaled TT\$1.2M which was also accrued in the 2019 financial statements.
- (iv) Additionally, there were a number of industrial relation matters taken up by employees, several of which were concluded subsequent to the financial statement date. The company has paid \$4.0 million towards these matters to date.
- (v) The bad and doubtful debt provision has been adjusted for receipt of the following funds for goods and services provided in FY 2019 as well as adjustments to opening balances
 - a) Receipt of non-operating income in FY 2020 from NiQuan Energy Trinidad Limited for electricity supplied.
 - b) Repayment of cash advances for start-up operations by Paria Fuel Trading Company Limited.
 - c) Reversal of amounts duplicated in Heritage's opening balances relating to the following accounts:
 - Joint venture cash accounts
 - Abandonment funds collected from IPSC operators
 - Central Block sales
 - d) Adjustments to opening balance for GRC re provision for decommissioning.
- (vi) NiQuan Energy Trinidad Limited pursuant to a Sale and Purchase Agreement dated 19 May 2016 issued Preference shares to PETROTRIN to the value of US\$ 25 million with a cumulative compounded dividend of 6.00% per annum for the WGTL Plant. Redemption of US\$ 12.5 million worth of these shares along with accrued interest were due two (2) years after the closing date (the "First Redemption Date"), with the remaining US\$ 12.5 million worth of preference shares (along with all accrued interest) due one (1) year after the First Redemption Date ("Second Redemption Date").

NiQuan was unable to comply with the first redemption which was due on 11 July 2020 and executed a First Unsecured Promissory Note on this date for the payment of the Principal Debt together with interest accrued to PETROTRIN on the maturity date of 11 January 2021. On 11 January 2021, NiQuan Energy Trinidad Limited submitted a Notice of Extension of the maturity date (as defined under the First Unsecured Promissory Note) by a period of six (6) months.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

29 Subsequent Events (continued)

- (vii) Based on information received from legal counsel, the contingency liability note has been updated to reflect changes in the status of the legal and industrial relations matters.
- (viii) On 25 May 2021, PETROTRIN'S Board approved the following intercompany settlement effective 30 September 2020:
- The netting of amounts due from Heritage and Paria against amounts due to Heritage and Paria.
 - This transaction was considered after the amounts due to TPHL by the Company were assumed by Heritage and Paria as settlement of amounts owed by TPHL to Heritage and Paria.
 - As a result of this set off, the provision for bad and doubtful debts for Heritage and Paria were reversed.

Petroleum Company of Trinidad and Tobago Limited

30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

30 Restatement and Reclassification of Prior Year Balances

(i) Statement of Financial Position

On and by virtue of the 2018 Miscellaneous Provisions Vesting Act (the "Act"), certain operating assets of PETROTRIN relating to petroleum exploration and production, refining and marketing were vested to Heritage Petroleum Company Limited ("Heritage"), The Guaracara Refining Company Limited ("Guaracara") and Paria Fuel Trading Company Limited ("Paria") (together called "New Entities"). Based on the Act, certain assets and liabilities were reported as "Held for Distribution" in PETROTRIN's 2018 Audited Financial Statements ("AFS").

During the fiscal year ended 30 September 2019, the following prior period errors and omissions were noted, requiring adjustments, to amounts recognised and disclosed in the Statement of Financial Position in 2018 AFS as follows:

a. Reclassification of amounts treated as transferred to/from the New Entities in 2018 as well as amounts remaining with:

(i) Reclassification of "Assets Held for distribution"

Certain R&M assets and dismantlement costs treated as assets being transferred to Paria and Guaracara respectively in the 2018 AFS, were not vested and have therefore been reclassified accordingly to Property, Plant and Equipment related to PETROTRIN.

Certain assets were also incorrectly treated as being transferred to Paria instead of Guaracara and vice versa in the 2018 AFS and certain amounts treated as being transferred to Heritage were in fact vested to Guaracara. This change in allocation of assets held for distribution resulted in an impairment loss that has now been recognised for these assets treated as being transferred to Guaracara as the carrying value of Guaracara's assets exceeded the recoverable amounts stated in the independent valuation report. The reclassification of assets also affected dismantlement assets and dismantlement liabilities associated with "Assets Held for distribution" and associated 'Liabilities held for distribution to owners' in the 2018 AFS. This impact is described in Note 30(i) (b) below.

(ii) Inconsistent treatment of amounts transferred to Heritage in 2018

It was discovered that the dismantlement provision (liability) related to an E&P asset vested to Heritage was incorrectly classified as remaining with PETROTRIN. At the same time, the corresponding dismantlement asset associated with the E&P asset was reflected as an "Asset Held for distribution" to Heritage. These misstatements resulted in an overstatement of both the assets classified as 'Held for distribution' to Heritage and the provision for dismantlement related to PETROTRIN. The revisions made to the dismantlement provision related to the E&P asset also resulted in a negative dismantlement asset that has been recognised in Profit or Loss. These classification errors and misstatements have now been corrected.

b. Change in dismantlement provision and liabilities held for distribution to owners (R&M assets)

The provision for dismantlement associated with the Guaracara and PETROTRIN assets were calculated on a current basis and the provision for dismantlement associated with the Paria assets was calculated using a ten (10) year time horizon. Due to the different time horizons used, the dismantlement provision needed to be adjusted to reflect the impact of the change in allocation of assets amongst Guaracara, Paria and PETROTRIN respectively (see 30(i)(a)(i) above).

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30 September 2019

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

30 Restatement and Reclassification of Prior Year Balances (continued)

(i) Statement of Financial Position (continued)

b. Change in dismantlement provision and liabilities held for distribution to owners (continued)

The revised dismantlement provision to reflect the reclassification of assets showed the following:

- a net understatement in the dismantlement provision and dismantlement asset associated with Paria assets classified as 'Held for distribution' and the associated 'Liabilities held for distribution to owners' within R&M.
- a net overstatement in the related dismantlement liabilities associated with amounts recorded as 'Liabilities held for distribution to owners' for Guaracara assets within R&M. The corresponding Guaracara dismantlement asset was fully impaired in the 2018 AFS and this revised dismantlement provision resulted in a write-back of the overstated impairment expense recorded within Cost of Sales/Accumulated Deficit.
- a dismantlement provision associated with the assets treated as remaining with PETROTRIN. The corresponding dismantlement asset has now been impaired as there is no basis to support carrying forward this asset in PETROTRIN's books. This impairment expense is recorded within Cost of Sales/Accumulated Deficit.

c. Currency translation differences associated with impairment expense

During FY2018, impairment losses recognised in accordance with IAS 36 (*Impairment of Assets*) were determined in USD, Petrotrin's functional currency. PETROTRIN's audited financial statements were presented in TTD Presentation Currency. Following a review of these impairment adjustments recorded in the original 2018 Audited Financial Statements, it was noted that the presentation currency equivalent of the impairment loss for certain assets was erroneously taken up in Profit or Loss. Instead, the currency translation difference portion of this impairment should have been recognised in Other Comprehensive Income. In order to correct this error, these translation differences have now been reclassified between Cost of Sales/Administrative Expenses (Accumulated Deficit) and Other Comprehensive Income/Currency Translation Differences.

d. Other Currency translation differences related to R&M Assets

While attempting to reconcile the movement in assets classified as Held for Distribution to Guaracara in the 2018 AFS with the actual balances transferred to the new entities during FY2019, it was noted that the recoverable amount on an asset was omitted from the "Assets Held for Distribution" balance within Net PPE in the 2018 AFS and instead shown under currency translation differences. This amount has now been reclassified from currency translation differences to 'Assets held for Distribution'.

e. Other impairment adjustments related to assets classified as "Held for Distribution" to Guaracara

Following a review of the 2018 independent valuation report that was used to assess the recoverable amount of assets treated as 'Held for distribution' to Guaracara, it was noted that an impairment loss was not recognised for an asset which overstated the balance recorded as held for distribution. To correct this error, Assets held for distribution to Guaracara have now been reduced and a corresponding impairment loss has been recognised against Profit or Loss for this asset.

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

30 Restatement and Reclassification of Prior Year Balances (continued)

(i) Statement of Financial Position (continued)

f. Reversal of translation differences recognised on current tax liabilities

In accordance with the Petroleum Profits Taxes Act of the Republic of Trinidad and Tobago, PETROTRIN is required to pay Petroleum Profits Taxes ("PPT") and Supplemental Petroleum Taxes ("SPT") and this obligation is calculated in Trinidad and Tobago dollars (TTD) since annual tax returns are filed in the local currency (TTD). During a review of the outstanding taxes payable, it was discovered that certain amounts were recorded in the accounting system in USD, which generated a currency translation difference and overstated the current tax liabilities recorded in the Statement of Financial Position. This overstatement has now been corrected and corresponding adjustment has been made to Profit or Loss for the unrealized foreign currency difference as current taxes are monetary TTD liabilities in accordance with IAS 21 (*The Effects of Changes in Foreign Exchange Rates*). In FY 2017, the overstatement was recorded within Trade and other payables, and the relevant reclassifications have been made between Trade and other Payables and Accumulated Deficit to correct the overstated taxes payable.

g. Tax adjustments

Section 6C, Second Schedule of the Petroleum Profits Taxes Act 75.04 of the Republic of Trinidad and Tobago permits the deduction of certain taxes paid in determining the chargeable income or loss on which petroleum taxes payable are calculated. During a review of this calculation, it was noted that PETROTRIN claimed certain unpaid taxes since FY2015 as an allowable deduction in determining the chargeable income which understated current liabilities. This error resulted in an understatement of Taxation expense, Current tax liabilities and Deferred Income Taxes which have now been corrected.

h. Re-measurement of deferred income taxes

The reclassifications and restatements made to assets and liabilities treated as held for distribution to the New Entities as well as the restatements made to current tax liabilities impacted the net deferred taxes and resulted in a remeasurement of amounts between the deferred income tax assets and liabilities.

i. Reclassification of amounts 'Due to/from Related Parties'.

During the fiscal year ended 30 September 2019 certain amounts due to/from Related Parties were disclosed separately in the Statement of Financial Position. For ease of comparison, similar amounts for the fiscal years ended 30 September 2017 and 30 September 2018 respectively were also disclosed.

j. Foreign exchange differences on USD monetary item incorrectly recorded in Profit or Loss.

PETROTRIN's long term loans are denominated in USD which was the Company's functional currency in FY 2018. A realised exchange difference was incorrectly recognised on payments related to these USD loans in the 2018 Statement of Profit or Loss under 'Other Operating Income'. These amounts have now been reclassified to currency translation differences in Other Comprehensive Income.

The table below summarizes the restatements made in the Statement of financial position at 30 September 2017 and 30 September 2018 respectively.

Petroleum Company of Trinidad and Tobago Limited
30 September 2019
Notes to the Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago Dollars)

30. Restatement and Reclassification of Prior Year Balances (continued)

	Note	Assets				Liabilities				Equity				
		Property, plant & Equipment	Assets held for distribution	Receivables and prepayments	Amounts due from related parties	Trade and Other Payables	Amounts due to related parties	Provisions	Liabilities for distribution to owners	Deferred income Tax Asset	Deferred income Tax liability	Current tax liabilities	Accumulated deficit	Currency translation differences
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
As previously reported (30 September 2017)		18,707,264	--	2,348,512	--	(5,621,066)	--	(4,573)	--	11,077,407	(10,212,648)	(2,253,711)	(1,188,331)	(512,968)
Reversal of translation differences recognised on Current Tax Liabilities	30(i)(f)	--	--	--	--	34,276	--	--	--	--	--	--	(34,313)	37
Adjustment for understated taxes payable	30(i)(f)	--	--	--	--	--	--	--	--	343,805	--	(367,976)	24,171	--
Reclassification of amounts due to/from related parties	30(i)(h)	--	--	(1,037,389)	1,037,389	1,552,683	--	--	--	--	--	--	--	--
Sub-total (Restatements)		--	--	(1,037,389)	1,037,389	1,586,959	--	--	--	343,805	--	(367,976)	(10,142)	37
Restated balance (30 September 2017)		18,707,264	--	1,311,123	1,037,389	(4,034,107)	(1,552,683)	(4,573)	--	11,421,212	(10,212,648)	(2,621,687)	(1,198,473)	(512,931)
As previously reported (30 September 2018)		72,898	14,481,679	3,075,195	--	(7,860,993)	--	(608,514)	(8,038,217)	5,100,052	(5,100,052)	(3,322,829)	14,976,017	(379,240)
Reclassification of amounts treated as transferred to/from the New Entities in 2018 as well as amounts remaining with PETROTRIN	30(i)(a)													
- Reclassification of assets to PETROTRIN	30(i)(a)(i)	339	(339)	--	--	--	--	--	--	--	--	--	--	--
- Reclassification of assets in R&M (HPCL/ GRC)	30(i)(a)(i)	--	(11,880)	--	--	--	--	--	--	--	--	--	11,880	--
- Reclassification of assets in R&M (GRC/Paria)	30(i)(a)(i)	--	(1,551)	--	--	--	--	--	--	--	--	--	1,551	--
- Inconsistent treatment of amounts transferred to Heritage	30(i)(a)(ii)	--	(340,792)	--	--	--	--	608,514	(243,973)	--	--	--	(23,770)	21
Change in dismantlement provision and liabilities held for distribution to owners (R&M assets)	30(i)(b)	--	--	--	--	--	--	--	--	--	--	--	--	--
- Changes to amounts held for distribution to Paria	30(i)(b)	--	491,154	--	--	--	--	--	(491,154)	--	--	--	--	--
- Changes to amounts held for distribution to GRC/PETROTRIN	30(i)(b)	--	--	--	--	--	--	(36,861)	528,827	--	--	--	(491,966)	--
Currency translation differences associated with impairment expense	30(i)(c)	--	--	--	--	--	--	--	--	--	--	--	133,194	(133,194)
Other Currency translation differences related to R&M Assets	30(i)(d)	--	9,599	--	--	--	--	--	--	--	--	--	32,273	(41,872)
Other impairment adjustments	30(i)(e)	--	(97,820)	--	--	--	--	--	--	--	--	--	91,333	6,487
Reversal of translation differences recognised on Current Tax Liabilities	30(i)(f)	--	--	--	--	--	--	--	--	--	--	93,411	(93,464)	53
Tax adjustments	30(i)(g)	--	--	--	--	--	--	--	--	--	--	(686,602)	686,602	--
Remeasurement of deferred income taxes	30(i)(h)	--	--	--	--	--	--	--	--	(128,991)	128,991	--	--	--
Reclassification of amounts due to/from related parties	30(i)(i)	--	--	(2,331,072)	2,331,072	2,854,296	(2,854,296)	--	--	--	--	--	--	--
Reclassification of foreign exchange difference on loan payments	30(i)(j)	--	--	--	--	--	--	--	--	--	--	--	42,746	(42,746)
Other (rounding differences)		--	--	--	2	--	--	--	1	--	--	(1)	2	(4)
Sub-total (Restatements)		339	48,371	(2,331,072)	2,331,074	2,854,296	(2,854,296)	571,653	(206,299)	(128,991)	128,991	(593,192)	390,381	(211,255)
Restated balance (30 September 2018)		73,237	14,530,050	744,123	2,331,074	(5,006,697)	(2,854,296)	(36,861)	(8,244,516)	4,971,061	(4,971,061)	(3,916,021)	15,366,398	(590,495)

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

30 Restatement and Reclassification of Prior Year Balances

(iii) Statement of Comprehensive Income (SOI)

The restatements in Note 30(i) impacted the operating results disclosed in the Statement of Comprehensive Income for the year ended 30 September 2018. Certain reclassifications were also made between the functional cost categories as follows:

- Reclassification of depreciation expense incorrectly classified under Marketing to Cost of Sales and Other Operating Expenses.
- Reclassification of amounts between currency translation differences in other comprehensive income and the functional cost categories in the statement of profit or loss (refer to Notes 30(i) (c) and 30(i) (d)).
- Reclassification of impairment write-back/expense related to investments between the functional cost categories.

The table below summarizes the restatements and reclassifications made in the Statement of Comprehensive Income for the year ended 30 September 2018.

	Note	Cost of Sales	Administrative Expenses	Other Operating Expenses	Marketing Expenses	Other Operating Income	Impairment write-back	Income Tax Expense	Currency translation differences
		\$	\$	\$	\$	\$	\$	\$	\$
As previously reported (year ended 30 September 2018)		(39,107,928)	(49,387)	(108,954)	(186,055)	307,049	43,276	(864,759)	(133,728)
Restatements:									
Inconsistent treatment of amounts transferred to Heritage	30(i)(a)(ii)	23,770	--	--	--	--	--	--	(21)
Reclassification of R&M assets held for distribution	30(i)(a)(i), 30(i)(b), 30(i)(d), 30(i)(f)	446,262	(91,333)	--	--	--	--	--	35,385
Reversal of translation differences recognised on Current Tax Liabilities	30(i)(g), 30(i)(h), 30(i)(j)	--	--	59,151	--	--	--	(662,431)	(16)
Tax adjustments		--	--	--	--	--	--	--	--
Adjustment related to FX difference on USD interest payments		--	--	86,688	--	(129,434)	--	--	42,746
Rounding differences		(2)	1	--	--	--	--	(1)	4
Reclassifications:									
Reclassification of depreciation expense	30(ii)(a)	(2,126)	--	(32,748)	34,874	--	--	--	--
Reclassification of impairment expense related to investments in LATT, LABIDCO and WGTTL-TL	30(ii)(c)	79,255	(56,532)	(25,004)	--	(4)	2,285	--	--
Reclassification of currency translation differences related to impairment losses	30(i)(c)	(140,070)	6,876	--	--	--	--	--	133,194
Net Entry restatements and reclassifications		407,089	(140,988)	88,087	34,874	(129,438)	2,285	(662,432)	211,292
Restated (year ended 30 September 2018)		(38,700,839)	(190,375)	(20,867)	(151,181)	177,611	45,561	(1,527,191)	77,564

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

30 Restatement and Reclassification of Prior Year Balances (continued)

(iii) Statement of Cash Flows

The table below summarizes the restatements and reclassifications impact on Statement of Cash Flow for the year ended 30 September 2018.

		Cash flows from Operating activities	Cash flows from Investing activities	Currency Translation differences relating to cash and cash equivalents
	Note	\$	\$	\$
As previously reported (year ended 30 September 2018)		1,979,535	(562,308)	(47,140)
<u>Reclassifications and restatements:</u>				
Adjustment related to FX difference on USD interest payments	30(i)(j)	(42,746)	-	42,746
Reclassification of impairment expense related to investments in LATT, LABIDCO and WGTL-TL	30(ii)(c)	(2,285)	-	(36)
Net disbursements / recoveries on loans to related parties	30(ii)(c)	--	2,321	--
Net restatements and reclassifications		(45,031)	2,321	42,710
Restated (year ended 30 September 2018)		1,934,504	(559,987)	(4,430)