

Petroleum Company of Trinidad and Tobago Limited

Company Financial Statements

2013 September 30

(Presented in Thousands of Trinidad and Tobago Dollars)

Petroleum Company of Trinidad and Tobago Limited

Note		Page
	Independent auditor's report	1
	Company statement of financial position	2
	Company statement of comprehensive income	3
	Company statement of changes in equity	4
	Company statement of cash flows	5
	Notes to the financial statements:	6-82
1	Reporting entity	6
2	Basis of preparation	6-7
3	Summary of significant accounting policies:	7-21
3.1	Accounting standards and interpretations	7-8
3.2	Investments- Subsidiaries, Jointly controlled assets and jointly controlled entity	9-10
3.3	Property, plant and equipment and certain intangible assets	10-14
3.4	Intangible assets	14-15
3.5	Impairment of non-financial assets (excluding exploration and evaluation, development and production assets)	15
3.6	Financial assets	16
3.7	Inventories	17
3.8	Trade receivables	17
3.9	Cash and cash equivalents	18
3.10	Share capital	18
3.11	Trade and other payables	18
3.12	Borrowings	18
3.13	Current and deferred income tax	18-19
3.14	Employee benefits	19-20
3.15	Revenue recognition	20-21
3.16	Leases	21
3.17	Dividend distribution	21
4	Financial risk management:	21-30
4.1	Financial risk factors	21-29
4.2	Capital risk management	29
4.3	Fair value estimation	30
5	Critical accounting estimates and judgments	30-33
6	Property, plant and equipment	33-35
7	Intangible assets	36-38
8	Impairment of fixed assets	38-39

Note		Page
9	Other costs related to exploration for and evaluation of oil and natural gas resources	40
10	Retirement benefit asset/(obligation)	40-47
11	Cash in escrow	48
12	Available-for-sale financial instruments	48
13	Investments in subsidiaries	49
14	Investment in jointly controlled entity	50
15	Net deferred income tax assets/(liabilities)	50-52
16	Income taxes recoverable	52
17	Cash in escrow - shareholder	52
18	Loans receivable	53-54
19	Inventories	54
20	Receivables and prepayments	55
21	Cash and cash equivalents	55
22	Share capital	56
23	Borrowings	56-59
24	Provisions	59
25	Trade and other payables	60
26	Short-term loans	60
27	Revenue	61
28	Other operating income	61
29	Operating costs by nature	62-64
30	Impairment losses	65
31	Employee benefits expense (excluding retirement benefits)	65
32	Finance income and costs	65
33	Tax	66
34	Reclassification and restatement of prior year balances	67-70
35	Contingent liabilities	70-71
36	Commitments	71
37	Related party transactions	72-78
38	Interest in jointly controlled assets	78-79
39	Cash generated from operations	80
40	Subsequent events	81-82



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**Independent Auditors' Report to the Shareholders of
Petroleum Company of Trinidad and Tobago Limited**

We have audited the accompanying parent company financial statements of Petroleum Company of Trinidad and Tobago Limited (the Company), which comprise the statement of financial position as at September 30, 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

May 27, 2014
Port of Spain
Trinidad and Tobago

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

	Note	As at September 30		
		2013	2012 Restated	2011 Restated
ASSETS:				
Non-current assets				
Property, plant and equipment	6	\$ 19,777,030	\$ 19,251,366	\$ 18,336,617
Intangible assets	7	6,262,299	7,939,718	5,316,000
Retirement benefit asset – pension benefits	10	476,000	226,300	892,800
Available-for-sale financial instruments	12	4,176	4,175	4,174
Investments in subsidiaries	13	2,225	2,225	2,225
Investment in jointly controlled entity	14	1	1	1
Net deferred income tax assets	15	1,853,870	95,176	--
Income taxes recoverable	16	530,506	530,506	530,506
Cash in escrow- shareholder	17	84,839	71,949	59,766
Loans receivable	18	677	1,509	2,917
		<u>28,991,623</u>	<u>28,122,925</u>	<u>25,145,006</u>
Current assets				
Inventories	19	4,385,699	5,009,064	3,920,290
Loans receivable	18	1,252	1,877	2,502
Receivables and prepayments	20	10,368,307	10,713,661	8,328,910
Cash in escrow	11	--	--	116,203
Cash and cash equivalents	21	2,222,322	1,826,544	2,525,732
		<u>16,977,580</u>	<u>17,551,146</u>	<u>14,893,637</u>
Total assets		<u>\$ 45,969,203</u>	<u>\$ 45,674,071</u>	<u>\$ 40,038,643</u>
EQUITY AND LIABILITIES:				
Capital and reserves attributable to equity holders of the Company				
Share capital	22	2,272,274	2,272,274	2,272,274
Retained earnings		9,941,219	9,828,773	9,393,459
Currency translation differences		267,891	268,012	257,388
Total equity		<u>12,481,384</u>	<u>12,369,059</u>	<u>11,923,121</u>
Liabilities				
Non-current liabilities				
Borrowings	23	8,580,512	8,967,105	9,352,488
Net deferred income tax liabilities	15	--	--	1,271,684
Retirement benefit obligation – medical benefits	10	2,604,500	2,378,900	1,855,700
Provisions	24	5,671,580	6,740,586	3,822,190
		<u>16,856,592</u>	<u>18,086,591</u>	<u>16,302,062</u>
Current liabilities				
Trade and other payables	25	4,793,131	4,505,004	4,803,555
Current tax liabilities		7,449,071	6,611,602	2,849,732
Current portion of long-term borrowings	23	395,305	394,729	709,475
Short-term loans	26	3,979,968	3,688,914	3,431,191
Provisions	24	13,752	18,172	19,507
		<u>16,631,227</u>	<u>15,218,421</u>	<u>11,813,460</u>
Total liabilities		<u>33,487,819</u>	<u>33,305,012</u>	<u>28,115,522</u>
Total equity and liabilities		<u>\$ 45,969,203</u>	<u>\$ 45,674,071</u>	<u>\$ 40,038,643</u>

The notes on pages 6 to 82 are an integral part of these financial statements.

On 2014 May 27 the Board of Directors of Petroleum Company of Trinidad and Tobago Limited authorised these company financial statements for issue.


 Director


 Director

Petroleum Company of Trinidad and Tobago Limited
Company Statement of Comprehensive Income
(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	Year ended September 30		
		2013	2012 Restated	2011 Restated
Revenue	27	\$ 31,880,097	\$ 37,561,691	\$ 36,810,671
Cost of sales	29	<u>(29,895,998)</u>	<u>(33,770,648)</u>	<u>(30,714,044)</u>
Gross profit		1,984,099	3,791,043	6,096,627
EXPENSES				
Administrative expenses	29	(1,232,479)	(1,150,502)	(1,196,257)
Marketing expenses	29	(54,339)	(118,147)	(118,330)
Other operating expenses	29	(20,202)	(24,500)	(69,647)
Impairment losses	30	(4,753)	(8,907)	(31,636)
Other operating income	28	<u>303,310</u>	<u>360,094</u>	<u>189,577</u>
Results from operating activities		975,636	2,849,081	4,870,334
Finance income	32	2,257	1,889	819
Finance costs	32	<u>(1,078,905)</u>	<u>(996,961)</u>	<u>(272,482)</u>
Net finance costs	32	<u>(1,076,648)</u>	<u>(995,072)</u>	<u>(271,663)</u>
(Loss)/Profit before tax		(101,012)	1,854,009	4,598,671
Income tax benefit/(expense)	33	<u>122,286</u>	<u>(910,589)</u>	<u>(2,334,415)</u>
Profit for the year		21,274	943,420	2,264,256
Other comprehensive income:				
Items that will never be reclassified to profit or loss:				
Currency translation differences		(121)	10,624	174,576
Actuarial gains/(losses) on retirement benefit asset – pension benefits	10	331,000	(648,800)	438,700
Actuarial (losses)/gains on retirement benefit obligation – medical benefits	10	(134,200)	(441,400)	14,400
Income tax (expense)/benefit on other comprehensive income	33	<u>(105,628)</u>	<u>582,094</u>	<u>(238,871)</u>
Other comprehensive income/(loss) for the period, net of income tax		91,051	(497,482)	388,805
Total comprehensive income for the year		\$ 112,325	\$ 445,938	\$ 2,653,061

The notes on pages 6 to 82 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Company Statement of Changes in Equity

(Presented in Thousands of Trinidad and Tobago dollars)

	Share capital	Currency translation differences	Retained earnings	Total
	\$	\$	\$	\$
Restated balance at 2012 September 30	2,272,274	268,012	9,828,773	12,369,059
Profit for the period	--	--	21,274	21,274
Other comprehensive income:				
Currency translation differences	--	(121)	--	(121)
Actuarial gains/(losses) on defined benefit asset	--	--	331,000	331,000
Actuarial gains/(losses) on defined benefit obligation	--	--	(134,200)	(134,200)
Income tax on other comprehensive income	--	--	(105,628)	(105,628)
Total other comprehensive income	--	(121)	91,172	91,051
Total comprehensive income for the period	--	(121)	112,446	112,325
Balance at 2013 September 30	2,272,274	267,891	9,941,219	12,481,384
Balance at 2011 September 30, as previously reported	2,272,274	254,635	9,712,179	12,239,088
Impact of changes in accounting policies (Note 34)	--	2,753	(318,720)	(315,967)
Restated balance at 2011 September 30	2,272,274	257,388	9,393,459	11,923,121
Profit for the period (restated)	--	--	943,420	943,420
Other comprehensive income (restated):				
Currency translation differences	--	10,624	--	10,624
Actuarial gains/(losses) on defined benefit asset	--	--	(648,800)	(648,800)
Actuarial gains/(losses) on defined benefit obligation	--	--	(441,400)	(441,400)
Income tax on other comprehensive income	--	--	582,094	582,094
Total other comprehensive income	--	10,624	(508,106)	(497,482)
Total comprehensive income for the period (restated)	--	10,624	435,314	445,938
Restated balance at 2012 September 30	2,272,274	268,012	9,828,773	12,369,059

The notes on pages 6 to 82 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited
2013 September 30
Company Statement of Cash Flows
(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	Year ended September 30		
		2013	2012	2011
Cash flows from operating activities:				
Cash generated from operations	39	\$ 5,997,682	\$ 2,696,615	\$ 5,472,953
Tax paid		<u>(2,700,000)</u>	<u>(1,829)</u>	<u>(2,232,218)</u>
Net cash generated from operating activities		<u>3,297,682</u>	<u>2,694,786</u>	<u>3,240,735</u>
Cash flows from investing activities:				
Purchases of property, plant and equipment and intangible assets		(1,786,791)	(2,101,088)	(3,115,589)
Proceeds from sale of property, plant and equipment and intangible assets	39	34	290	222
Amounts deposited to shareholder escrow account		(59,703)	--	--
Recovery of amounts previously held in escrow		--	116,112	--
Recovery of loans and advances to subsidiary		--	75,647	--
Recovery on loans to related parties		1,877	2,500	1,249
Disbursements of loans to related parties		(5,173)	(9,375)	(32,324)
Interest received		<u>2,257</u>	<u>1,883</u>	<u>2,890</u>
Net cash used in investing activities		<u>(1,847,499)</u>	<u>(1,914,031)</u>	<u>(3,143,552)</u>
Cash flows from financing activities:				
Proceeds from short-term loans		9,520,265	10,139,288	8,184,208
Repayments of short-term loans		(9,226,854)	(9,880,396)	(6,736,239)
Repayments of long-term borrowings		(391,281)	(701,737)	(499,373)
Interest paid		<u>(961,891)</u>	<u>(1,040,621)</u>	<u>(1,017,291)</u>
Net cash used in financing activities		<u>(1,059,761)</u>	<u>(1,483,466)</u>	<u>(68,695)</u>
Currency translation differences relating to cash and cash equivalents		<u>5,356</u>	<u>3,523</u>	<u>90,282</u>
Increase/(Decrease) in cash and cash equivalents		395,778	(699,188)	118,770
Cash and cash equivalents at start of year		<u>1,826,544</u>	<u>2,525,732</u>	<u>2,406,962</u>
Cash and cash equivalents at end of year	21	<u>\$ 2,222,322</u>	<u>\$ 1,826,544</u>	<u>\$ 2,525,732</u>

The notes on pages 6 to 82 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

1. Reporting entity

Petroleum Company of Trinidad and Tobago Limited, PETROTRIN (the 'Company') is incorporated in the Republic of Trinidad and Tobago and is primarily engaged in integrated petroleum operations which include the exploration for, development and production of hydrocarbons and the manufacturing and marketing of petroleum products. The sole shareholder is the Government of the Republic of Trinidad and Tobago (GORTT). The registered office is the Administration Building, Pointe-a-Pierre, Trinidad and Tobago, West Indies.

2. Basis of preparation

(a) Statement of compliance

These Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and effective for the year ended 2013 September 30.

The accounting policies that follow have been consistently applied to all years presented. Where retrospective restatements were required as a result of the implementation of new accounting standards or changes to existing accounting standards, these have been applied to all comparative years presented.

The Company has prepared these stand-alone statements to file with the Registrar of Companies in accordance with the Companies Act of Trinidad and Tobago (1995).

Users of these stand-alone financial statements should read them with the Group's consolidated financial statements as at and for the year ended 2013 September 30, in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the defined benefit asset which is recognised at the net total of the plan assets, less the present value of the defined benefit obligation and the effect of the asset ceiling test.

(c) Foreign currency translation

• Functional and presentation currency

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

• 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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

2. Basis of preparation (continued)

(c) Foreign currency translation (continued)

• 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 that statement of financial position;
- 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.

(d) Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods in the financial statements and are set out below. Certain comparative amounts have been reclassified to conform to the current year's presentation.

3.1 Accounting standards and interpretations

(a) New standards, amendments and interpretation adopted

Several standards and interpretations were adopted in the year which had no significant impact on the financial statements. Most of these new standards required enhanced disclosures.

(b) New standard not yet effective but early adopted

IAS 19 – Employee Benefits (amended 2011), effective 2013 January 01

The Company early adopted IAS 19, Employee Benefits in the year ended 2013 September 30. As a result, *all* actuarial gains and losses were recognised in other comprehensive income and excluded permanently from profit or loss. Previously, the Company applied the corridor approach, and gains/losses were deferred from profit or loss if the net cumulative unrecognised value of the gains/losses did not exceed the 10% corridor.

Expected returns have also been replaced by recording interest income in profit or loss, which is calculated using the discount rate used to measure the pension obligation. Certain changes to presentation as well as more extensive disclosures have also been introduced. (See notes 10 and 34 (i)).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.1 Accounting standards and interpretations (continued)

(c) New standards, amendments and interpretations issued but not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 2013 January 01, and have not been applied in preparing these financial statements. Those which are relevant to Company operations are examined below. The Company does not intend to early adopt these standards.

- IFRS 9 – Financial instruments (2010 and 2009), *effective 2015 January 01* is part of the IASB's plan to replace IAS 39 – Financial instruments: recognition and measurement. IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under this standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.
- IFRS 10 – Consolidated Financial Statements; IFRS 11 – Joint Arrangements; IFRS 12 – Disclosure of Interests in Other Entities, and amendments to IAS 27 – Consolidated and Separate Financial Statements (renamed: IAS 27 - Separate Financial Statements) and IAS 28 – Investments in Associates (renamed: IAS 28 – Investments in Associates and Joint Ventures), *effective 2013 January 01*.

IFRS 10 changes whether an entity should be consolidated, through an amended definition of control; it does not change consolidation procedures. Control exists when an investor is exposed to or has rights to variable returns from its involvement with the investee, and, has the ability to affect those returns, through its power over the investee. This control model also requires identification of how decisions affecting 'relevant activities' are made.

- IFRS 11 was issued to replace IAS 31- Interest in Joint Ventures. Under this standard, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of arrangement, and therefore subsequent accounting. These joint arrangements may be classified as joint operations, whereby the parties with joint control have rights to assets, and obligations for liabilities relating to the arrangement; and joint ventures whereby parties have rights to the net assets of the arrangement. Joint operations are treated similar to jointly controlled assets/operations under IAS 31. However, joint ventures can now only be accounted for using the equity method.
- IFRS 12 introduces a range of new and expanded disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

Management has reviewed these standards and amendments, and except for additional disclosures, these are not expected to affect the financial position or performance of the Company.

- IFRS 13 – Fair Value Measurement (2011), *effective 2013 January 01* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Management is currently reviewing its methodologies in determining fair values.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.2 Investments – Subsidiaries, Jointly controlled assets and jointly controlled entity (continued)

The financial statements have been prepared in accordance with IFRS for the Company and its subsidiaries (the 'Group'). In the consolidated financial statements, subsidiary undertakings – which are those companies in which the Group, directly or indirectly, has an interest of more than half the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The investments in jointly controlled entities are accounted for using the equity method, and are recognised initially at cost. The consolidated financial statements can be obtained from the Company's registered office.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are accounted for at cost less impairments.

(b) Jointly controlled assets

Petrotrin will from time to time acquire interest in joint ventures to diversify both its Exploration and Production and Refining and Marketing operations. The acquisition of joint ventures represents the spreading of risk, taking advantage of private party experience, access to improved technology and capital resources, the opportunity to grow our reserves and assets and access to feedstock and or product markets. In other instances, as the State-owned oil company, there may be an obligatory State participation or the acquisition may be as a result of regulatory requirements, for example where reservoirs straddle boundaries.

In the case of jointly controlled assets, an operating committee is established to provide overall direction and supervision. The voting rights are normally negotiated items. In some instances, the parties tend to have a vote based on the participating interest of the party. In other instances, there are some items, which are critical to the operations and require unanimous agreement.

The Company interest in jointly controlled assets is accounted for by proportionate consolidation. It combines the share of such joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. The Company recognises the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other ventures. The Company does not recognise its share of profits or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Unitizations are accounted for in a similar manner to that of the jointly controlled assets.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.2 Investments – Subsidiaries, Jointly controlled assets and jointly controlled entity (continued)

(c) Jointly controlled entity

A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the Company jointly controls with its fellow venturer(s). Investments in jointly controlled entities are accounted for in these financial statements at cost less impairment.

The Company assesses at each balance sheet date whether an investment in a jointly controlled entity is impaired. If there is objective evidence that an impairment loss has been incurred, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs to sell and value-in-use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

3.3 Property, plant and equipment and certain intangible assets

(a) Oil and gas assets

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

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

Exploration and evaluation assets – Capitalisation

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

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

Costs incurred in the exploration and evaluation of assets include:

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

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.3 Property, plant and equipment and certain intangible assets (continued)

(a) Oil and gas assets (continued)

Exploration and evaluation assets – Capitalisation (continued)

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

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

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

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

Development tangible and intangible assets - Capitalisation

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the purchase method (See Note 3.2 for accounting policy).

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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.3 Property, plant and equipment and certain intangible assets (continued)

(a) Oil and gas assets (continued)

Development tangible and intangible assets - Capitalisation (continued)

Acquisitions, asset purchases and disposals (continued)

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.

See Note 3.12 for the accounting policy related to borrowing costs.

Development/Production tangible and intangible assets – Impairment

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels (its cash generating unit) for which there are separately identifiable cash flows. 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.

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.

Provision for decommissioning costs

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.3 Property, plant and equipment and certain intangible assets (continued)

(a) Oil and gas assets (continued)

Provision for decommissioning costs (continued)

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

(b) Refining and other non-oil and gas assets

All other property, plant and equipment are stated at historical cost less accumulated depreciation and less accumulated impairment losses. Intangible costs capitalised within the refinery generally includes external consulting costs incurred in the upgrading of the refinery processes, management systems and implementation of new and upgraded technology.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Refinery spares inventory is allocated to refining assets. Repairs and maintenance, except for major overhaul costs (See Note 3.3 (c)), are charged to profit or loss during the financial period in which they are incurred.

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

Manufacturing plant and equipment	3.75% to 10%	- straight-line
Refinery spares	5%	- straight-line
Floating property	20%	- diminishing balance
Transportation equipment	20%	- diminishing balance
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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.3 Property, plant and equipment and certain intangible assets (continued)

(b) Refining and other non-oil and gas assets (continued)

The expected useful lives of plant, property 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 when no future economic benefits are expected to arise from continued use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

See Note 3.12 for the accounting policy related to borrowing costs.

(c) Major overhaul costs

Major overhaul costs include catalyst costs and expenditure incurred in testing and inspection work carried out on manufacturing plant and equipment. These costs are incurred at regular intervals over the useful life of the asset and are incurred to allow the continued use of the asset. These costs are accounted for as a component of the asset. Costs less residual value are written off over a period of 3-5 years on a straight-line basis.

When the carrying amount of major overhaul costs is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.4 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Previously recognised impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer 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).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.4 Intangible assets (continued)

(b) Computer software (continued)

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

(c) Other intangible assets

This comprises intangible costs associated with tangible PP&E structures. Refer to Note 3.3 (a).

3.5 Impairment of non-financial assets (excluding exploration and evaluation, development and production assets)

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.6 Financial assets

3.6.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables are classified as loans receivable and trade and other receivables in the statement of financial position.

(b) Available-for-sale financial instruments

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.

3.6.2 Recognition and measurement

Loans and receivables as well as available-for-sale financial instruments are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses, while available-for-sale financial instruments are recorded at cost less impairment.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Translation differences on monetary financial assets and liabilities are recognised in profit or loss.

The Company 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 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 – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed. Impairment testing of trade receivables is described in Note 3.8.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.7 Inventories

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

(a) Crude oil

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

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

(b) Refined products

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

The total product cost is comprised of the production cost of own crude, the cost of purchased crude and the total refinery expenses (adjusted to exclude incremental expenses related to the processing of crude for third parties).

Net realisable values are refined products sales prices as quoted in the 'Caribbean Postings' and the 'Platts Oilgram' at the close of the reporting period.

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

(c) Materials and supplies

Inventories of 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. Refinery spare parts are considered refining assets (See Note 3.3 (b)).

3.8 Trade receivables

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and cheques issued but not yet presented to financial institutions. Cash and cash equivalents are subject to insignificant risk of changes in value.

3.10 Share capital

Ordinary shares are classified as equity.

3.11 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised over the period of the borrowings using the effective interest method. This amount is capitalised during the construction period of the qualifying asset, and upon completion of the asset, it is recognised in profit or loss until the maturity of borrowings.

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

Borrowing Costs

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

Other borrowing costs are expensed.

3.13 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.13 Current and deferred income tax (continued)

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 these financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or tax loss. Deferred income tax is also recognised on carry-forward unused tax losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

3.14 Employee benefits

(a) Pension asset

Retirement benefits for 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 asset recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of Plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for the effect of the asset ceiling test. The pension asset is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities and high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are immediately credited or charged to other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.14 Employee benefits (continued)

(b) Other post-employment obligations

The Company provides post-employment healthcare benefits to its retirees under two (2) medical plans. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are immediately recognised in other comprehensive income. These obligations are valued annually by independent qualified actuaries.

3.15 Revenue recognition

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

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales revenue

Revenues from sales of products are recognised upon transfer of risks and rewards associated with the ownership of products. In particular, revenues are recognised:

- for crude oil, generally upon shipment;
- for natural gas and natural gas liquids, when the natural gas is delivered to the customer;
- for refined products, generally upon shipment.

Revenues are recognised upon shipment when, at that date, the risks of loss are transferred to the acquirer. Revenues from the sale of crude oil and, natural gas produced in properties in which Petrotrin has an interest together with other producers, are recognised on the basis of Petrotrin's working interest in those properties (entitlement method).

(b) Royalty income

Royalty income is recognised 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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.15 Revenue recognition (continued)

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument. Interest income on impaired loans is recognised using the original effective interest rate.

(d) 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 and tug and launch hire.

3.16 Leases

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

3.17 Dividend distribution

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

4. Financial risk management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the risk management department which is responsible for developing and monitoring the Company's risk management policies.

4.1 Financial risk factors

The Company has exposure to the following risk from its use of financial instruments:

- market risk (including commodity and other price risk and interest rate risk);
- credit risk;
- liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not at this time use derivative financial instruments to hedge its risk exposures.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk

(i) Commodity and other price risk

The Company purchases approximately 60% of the total crude that is processed at the refinery. As a result, with respect to this stream of crude oil supply, the Company is exposed to fluctuations in the differential between the price of crude oil purchased and the prices at which refined products are sold.

Own-crude production makes up the remaining 40% of total crude oil processed at the refinery. The Company is therefore exposed to fluctuations in the market prices of refined products derived from this stream of crude oil supply.

The Company is also exposed to fluctuations in the prices of liquefied natural gas (LNG) sales, which is sold at market prices.

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

Other price risks arise due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is affected by changing prices of equity instruments mainly classified as investments available-for-sale with fair value movements recognised in shareholders' equity.

In the years ended 2011 September 30 to 2013 September 30, Management deemed the price risk impact on equity instruments classified as available-for-sale to be immaterial.

(ii) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The functional currency of the Company's cash flows is the United States dollar (USD) since the Company's major product, oil, is priced internationally in USD. Foreign currency transaction exposures mainly arise on the Company's sales or purchases in currencies other than USD. Also, foreign currency translation exposures arise from financial instruments denominated in currencies other than USD.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

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

	As at September 30		
	2013	2012	2011
Year-end	6.41950	6.41825	6.41610
Average rate during the year	6.40987	6.40181	6.38776

The following tables demonstrate the sensitivity of the Company's profit before tax to a reasonably possible movement of the USD against the TTD holding all other variables constant.

	Note	TTS	As at 2013 September 30		Total
			Other	US\$	
Assets					
Income taxes recoverable	16	530,506	--	--	530,506
Cash in escrow – shareholder	17	--	--	84,839	84,839
Loans receivable	18	--	--	1,929	1,929
Receivables and prepayments*	20	7,022,357	5	3,061,589	10,083,951
Cash and cash equivalents	21	251,708	--	1,970,614	2,222,322
Financial assets		7,804,571	5	5,118,971	12,923,547
Liabilities					
Borrowings	23	--	--	(8,975,817)	(8,975,817)
Trade and other payables	25	(2,609,944)	(944)	(2,182,243)	(4,793,131)
Current tax liabilities		(7,449,071)	--	--	(7,449,071)
Short-term loans	26	--	--	(3,979,968)	(3,979,968)
Financial liabilities		(10,059,015)	(944)	(15,138,028)	(25,197,987)
<i>* excludes prepayments</i>					
Net currency exposure		(2,254,444)	(939)	(10,019,057)	(12,274,440)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		(22,544)	(9)	--	(22,553)

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

	Note	As at 2012 September 30 - Restated			Total
		TTS	Other	US\$	
Assets					
Income taxes recoverable	16	530,506	--	--	530,506
Cash in escrow – shareholder	17	--	--	71,949	71,949
Loans receivable	18	--	--	3,386	3,386
Receivables and prepayments*	20	7,466,242	5	3,011,445	10,477,692
Cash and cash equivalents	21	<u>150,395</u>	<u>--</u>	<u>1,676,149</u>	<u>1,826,544</u>
Financial assets		<u>8,147,143</u>	<u>5</u>	<u>4,762,929</u>	<u>12,910,077</u>
Liabilities					
Borrowings	23	--	--	(9,361,834)	(9,361,834)
Trade and other payables	25	(1,357,447)	(14,440)	(3,133,117)	(4,505,004)
Current tax liabilities		(6,611,602)	--	--	(6,611,602)
Short-term loans	26	<u>--</u>	<u>--</u>	<u>(3,688,914)</u>	<u>(3,688,914)</u>
Financial liabilities		<u>(7,969,049)</u>	<u>(14,440)</u>	<u>(16,183,865)</u>	<u>(24,167,354)</u>
<i>* excludes prepayments</i>					
Net currency exposure		178,094	(14,435)	(11,420,936)	(11,257,277)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		1,781	(144)	--	1,637

	Note	As at September 30, 2011 - Restated			Total
		TTS	Other	US\$	
Assets					
Cash in escrow	11	--	--	116,203	116,203
Income taxes recoverable	16	530,506	--	--	530,506
Cash in escrow – shareholder	17	--	--	59,766	59,766
Loans receivable	18	--	--	5,419	5,419
Receivables and prepayments*	20	4,955,172	5	3,176,480	8,131,657
Cash and cash equivalents	21	<u>66,878</u>	<u>--</u>	<u>2,458,854</u>	<u>2,525,732</u>
Financial assets		<u>5,552,556</u>	<u>5</u>	<u>5,816,722</u>	<u>11,369,283</u>
Liabilities					
Borrowings	23	--	--	(10,061,963)	(10,061,963)
Trade and other payables	25	(1,447,482)	444	(3,356,517)	(4,803,555)
Current tax liabilities		(2,849,732)	--	--	(2,849,732)
Short-term loans	26	<u>--</u>	<u>--</u>	<u>(3,431,191)</u>	<u>(3,431,191)</u>
Financial liabilities		<u>(4,297,214)</u>	<u>444</u>	<u>(16,849,671)</u>	<u>(21,146,441)</u>
<i>* excludes prepayments</i>					
Net currency exposure		1,255,342	449	(11,032,949)	(9,777,158)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		12,553	4	--	12,557

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 short-term loans. These transactions are negotiated at fixed rates but are subject to repricing risk. Short-term deposits were repriced daily in 2013 (2012: daily; 2011: 20 days), while short-term loans had maturities of 119-180 days in 2013 (2012: 60-180 days and 2011: 28-201 days).

The Company monitors its interest rate risk using interest rate sensitivity and gap analysis. Sensitivity analyses were conducted to determine the effect on net profit with all other variables held constant on next year's results.

	As at September 30		
	2013	2012	2011
Fixed rate instruments			
Financial assets	\$ 6,105	\$ 7,561	\$ 44,893
Financial liabilities	<u>(12,955,785)</u>	<u>(13,050,748)</u>	<u>(13,493,154)</u>
	<u>\$ (12,949,680)</u>	<u>\$ (13,043,187)</u>	<u>\$ (13,448,261)</u>
Variable rate instruments			
Financial assets	\$ 2,222,322	\$ 1,826,544	\$ 2,606,635
Financial liabilities	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$ 10,727,358</u>	<u>\$ 11,216,643</u>	<u>\$ 10,841,626</u>

The table below summarises the Company's exposures to interest rate repricing risk.

	Effect on profit after tax		
	Year ended September 30		
	2013	2012	2011
Change in interest rate:			
Increase by 1%	\$ 22,223	\$ 18,265	\$ 26,066
Decrease by 1%	(22,223)	(18,265)	(26,066)

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(iv) Fair value risk

The Company is exposed to fair value risk on 100.00% of its long-term borrowings which are fixed. The Company's preference is for fixed rate debt but considers market conditions at the time of loan negotiations in making fixed versus floating rate decisions. There is no significant exposure to fair value risk on other financial instruments. See Note 23 for fair value and sensitivity analysis.

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Company, and arises from cash and cash equivalents, deposits with banks and other financial institutions as well as credit exposure to trade and other customers including outstanding receivables and committed transactions. For banks and other financial institutions, only independently rated parties with a minimum rating of 'BBB' are accepted. If trade customers are independently rated, these ratings are used.

The Company has no significant concentration of credit risk. Credit risk is mitigated by internal policies that require sales of products to be made to customers with favourable credit ratings. This requires companies to have a minimum of an investment grade rating from reputable rating agencies, irrevocable letters of credit issued and confirmed by rated banks or payment in advance.

The maximum exposure to credit risk for trade and related parties balances, by geographic region was as follows:

	As at September 30		
	2013	2012	2011
Local	\$ 8,841,645	\$ 9,231,334	\$ 6,362,854
Regional	465,157	275,040	609,685
International	<u>604,831</u>	<u>781,340</u>	<u>653,675</u>
Gross trade and related parties	<u>\$ 9,911,633</u>	<u>\$ 10,287,714</u>	<u>\$ 7,626,214</u>

An analysis of the credit quality of trade and related parties that were not impaired is as follows:

	As at September 30		
	2013	2012	2011
Less than one year trading history*	\$ 207,882	\$ --	\$ 19,985
Customers between one and four years trading history*	51,166	11,316	229,904
Customer with over four years trading history*	9,162,843	9,950,154	7,203,544
Higher risk	<u>562</u>	<u>520</u>	<u>464</u>
	<u>\$ 9,422,453</u>	<u>\$ 9,961,990</u>	<u>\$ 7,453,897</u>

* excludes higher risk

Included in local revenues arising from direct sales of product is approximately 23.98% (2012: 16.17%; 2011: 14.85%) which arose from sales to Trinidad and Tobago National Petroleum Marketing Company Limited (NPMC), the Company's largest customer in Trinidad and Tobago. As at 2013 September 30, outstanding receivables from NPMC represented 54.15% (2012: 62.43%; 2011: 62.86%) of local receivables and 48.57% (2012: 56.29%; 2011: 53.02%) of total receivables. The risk from NPMC is minimal as both Petrotrin and NPMC are State-owned. Although part of the outstanding balance is past due, historically NPMC has settled its debt to Petrotrin. The fair values of trade and other receivables approximate their carrying amounts.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

The table below is an aging of the gross trade and other receivables balance, excluding prepayments and taxes:

	As at September 30		
	2013	2012 Restated	2011 Restated
Fully performing	\$ 2,131,868	\$ 2,243,084	\$ 2,372,857
Past due but not impaired:			
within 30 days	1,425,418	1,227,197	1,172,683
31 to 60 days	576,876	524,041	571,285
61 to 90 days	348,088	355,584	422,345
over 90 days	5,599,870	6,127,115	3,591,936
Impaired	639,084	459,742	242,751
Total	<u>\$ 10,721,204</u>	<u>\$ 10,936,763</u>	<u>\$ 8,373,857</u>

The movement in the provision for impairment of receivables during the year was as follows:

	Year ended September 30		
	2013	2012	2011
Balance at start of year	\$ (459,742)	\$ (242,751)	\$ (164,394)
Exchange adjustments	3	(4,682)	3,090
Charge for the year (Note 29)	(179,532)	(212,312)	(81,613)
Receivables written-off during the year as uncollectible	187	3	166
Balance at end of year	<u>\$ (639,084)</u>	<u>\$ (459,742)</u>	<u>\$ (242,751)</u>

The maximum exposure to credit risk at the respective reporting dates is the carrying values of the following financial assets: cash in escrow, available-for-sale financial instruments, loans receivable, receivables and prepayments and cash and cash equivalents. The Company maximum exposure totalled \$12,395,386 (2012: \$12,383,075; 2011: \$10,842,400).

	Note	As at September 30		
		2013	2012 Restated	2011 Restated
<u>Assets as per statement of financial position</u>				
Cash in escrow	11	\$ --	\$ --	\$ 116,203
Available-for-sale financial instruments	12	4,176	4,175	4,174
Cash in escrow – shareholder	17	84,839	71,949	59,766
Loans receivable	18	1,929	3,386	5,419
Trade and other receivables excluding prepayments and taxes	20	10,082,120	10,477,021	8,131,106
Cash and cash equivalents	21	2,222,322	1,826,544	2,525,732
		<u>\$ 12,395,386</u>	<u>\$ 12,383,075</u>	<u>\$ 10,842,400</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. In managing its liquidity risks, the Company maintains sufficient cash on hand and committed credit facilities to meet its operational expenses, including the servicing of financial obligations. The Company's treasury function coordinates relationships with banks, borrowing requirements and cash management. The Company believes it has access to sufficient funding by using undrawn borrowing facilities to meet foreseeable borrowing requirements. At 2013 September 30, the Company has short-term credit facilities with various foreign and local banking institutions totalling \$7,061,450, of which the sum of \$2,948,225 was unutilised. The Company monitors future cash flows and has access to other diversified funding sources, if required, to manage its liquidity.

The Company has a long-term debt rating of Baa3 (stable outlook) and BBB (stable outlook) assigned by Moody's and Standard and Poor's respectively. The table below presents the financial liabilities payable by the Company by remaining contractual maturities at the reporting date.

As at 2013 September 30

	Carrying values	Contractual cash flows				5 years and over
		Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	
Financial liabilities	\$	\$	\$	\$	\$	\$
Borrowings	(8,975,817)	(13,197,040)	(1,149,789)	(1,114,424)	(2,158,400)	(8,774,427)
Trade and other payables (excluding statutory liabilities)	(4,312,530)	(4,312,530)	(4,312,530)	--	--	--
Short-term loans	(3,979,968)	(4,000,468)	(4,000,468)	--	--	--
	(17,268,315)	(21,510,038)	(9,462,787)	(1,114,424)	(2,158,400)	(8,774,427)

As at 2012 September 30 - Restated

	Carrying values	Contractual cash flows				5 years and over
		Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	
Financial liabilities	\$	\$	\$	\$	\$	\$
Borrowings	(9,361,834)	(14,348,814)	(1,161,308)	(1,137,739)	(2,204,922)	(9,844,845)
Trade and other payables (excluding statutory liabilities)	(4,006,158)	(4,006,158)	(4,006,158)	--	--	--
Short-term loans	(3,688,914)	(3,713,876)	(3,713,876)	--	--	--
	(17,056,906)	(22,068,848)	(8,881,342)	(1,137,739)	(2,204,922)	(9,844,845)

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 2011 September 30 - Restated

	Carrying Values	Contractual cash flows				
		Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
Financial liabilities	\$	\$	\$	\$	\$	\$
Borrowings	(10,061,963)	(15,875,297)	(1,537,500)	(1,160,919)	(2,251,192)	(10,925,686)
Trade and other payables (excluding statutory liabilities)	(4,225,243)	(4,225,243)	(4,225,243)	--	--	--
Short-term loans	(3,431,191)	(3,457,980)	(3,457,980)	--	--	--
	(17,718,397)	(23,558,520)	(9,220,723)	(1,160,919)	(2,251,192)	(10,925,686)

4.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain a strong credit rating and an optimum capital structure in order to provide returns for its shareholders and benefits for other stakeholders.

The Company's capital structure consists of share capital, reserves and retained earnings and adjustments are made based on economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 2011 September 30 to 2013 September 30.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as total borrowings (borrowings, current portion of long-term borrowings and short-term loans, as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt. The Company's policy is to maintain a gearing ratio up to 50% and a BBB credit rating.

The Company has maintained compliance with its gearing policy and BBB credit rating during 2013.

Gearing ratio

	As at September 30		
	2013	2012 Restated	2011 Restated
Total borrowings	\$ 12,955,785	\$ 13,050,748	\$ 13,493,154
Less: Cash and cash equivalents	<u>(2,222,322)</u>	<u>(1,826,544)</u>	<u>(2,525,732)</u>
Net debt	10,733,463	11,224,204	10,967,422
Total equity	<u>12,481,384</u>	<u>12,369,059</u>	<u>11,923,121</u>
Total capital	<u>\$ 23,214,847</u>	<u>\$ 23,593,263</u>	<u>\$ 22,890,543</u>
Gearing ratio	46.24%	47.57%	47.91%

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.3 Fair value estimation

The carrying amount of the following assets and liabilities: cash, investments, trade receivables and payables, other receivables and payables and short-term borrowings approximate to their fair values.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of these financial statements requires Management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic in the circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Summarised below are the accounting estimates that require the more subjective judgment of Management. Such assumptions or estimates regard the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect future results.

(a) IAS 19 valuation

The valuation of the Company's pension plans assets and expected liabilities are calculated in accordance with IAS 19 (R) requirements. The actuarial valuation for the pension benefits and post-employment medical costs are computed by qualified actuaries using Management's assumptions for discount rate and data supplied by Management; expected rate of return on Plan assets; future salary increases and medical expense inflation rates. Each of these principal actuarial assumptions can and will change in the future (See Note 10).

(b) Oil and gas reserves

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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

5. Critical accounting estimates and judgments (continued)

(b) Oil and gas reserves (continued)

Estimated proved reserves are used in determining depletion and impairment expenses. Depreciation 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, 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.

(c) Lease licences

It is assumed that licences to develop oil and gas properties acreages will continue to be extended to the Company by the Government of the Republic of Trinidad and Tobago throughout the remaining productive lives of the related fields. The Company's estimates of reserves, the estimated provisions for decommissioning and the impairment assessments are based on this assumption.

(d) Impairment of assets

(i) Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.4 (a). This requires an estimation of the 'value-in-use' of the cash generating units to which the goodwill is allocated. Estimating a 'value-in-use' amount requires Management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 7.

(ii) Financial assets

Financial assets excluding trade and other receivables are assessed at each reporting period to determine whether there is any objective evidence that they are impaired, while trade and other receivables are reviewed quarterly for impairment.

In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers, or national or local economic conditions. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

If there is objective evidence that an impairment loss on loans receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

5. Critical accounting estimates and judgments (continued)

(d) Impairment of assets (continued)

(iii) Other assets

Property, plant and equipment and intangible assets are assessed for possible impairment if events and changes in circumstances indicate that the carrying amount may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount. This is the higher of fair value less costs to sell and value-in-use determined as the amount of estimated discounted future cash flows. For this purpose, assets are grouped into cash generating units based on separately identifiable and largely independent cash inflows. Impairments can also occur when decisions are taken to dispose of assets. Impairments, except those relating to goodwill, are reversed as applicable, to the extent of the changes in the events and circumstances that triggered the original impairment.

Estimates of future cash flows are based on Management's estimates of future commodity prices, market supply and demand, product margins and, in the case of oil and gas properties, the expected future production volumes. Other factors that can lead to changes in estimates include restructuring plans and variations in regulatory environments. Expected future production volumes, which are based on proved reserves, are used for impairment testing because the Company believes this to be the most appropriate data for expected future cash flows. Estimates of future cash flows are consistent in the Company's business plan. A discount rate based on the Company's marginal cost of debt is used.

Assumptions on future oil prices tend to be stable because the Company does not consider short term increases or decreases in prices as being indicative of long-term levels. The future prices used in impairment testing are determined after assessments of drivers; historical analysis, trends and statistical volatility are part of this assessment, as well as analysis of possible future global and regional economic conditions.

(e) Decommissioning and environmental obligations

(i) Decommissioning obligation

Obligations related to the removal of tangible equipment and the restoration of land or seabed, once operations are terminated, requires the recognition of significant provision for decommissioning. Estimating the future cost of asset removal is difficult and requires Management to make estimates and judgments because most of the removal obligations are many years in the future, and related contracts and regulations often contain vague descriptions of what constitutes removal. Asset removal technologies and costs are constantly changing, as well as political, environmental, safety and public relations considerations. The criticality of these estimates is also increased by the accounting policy used that requires entities to record the fair value of a liability for decommissioning in the period when it is incurred (typically at the time the asset is installed at the production location). When the liability is initially recorded, the related fixed asset is increased by a corresponding amount. Over time, the liabilities are increased for the provisions due to reflect the passage of time and any change of the estimates following the modification of the future cash flows or the discount rate adopted.

The recognised decommissioning liability amounts are based upon future retirement cost estimates and incorporate many assumptions such as expected recoverable quantities of crude oil and natural gas, time to abandonment, future inflation rates and the risk-free rate of interest adjusted for the Company's credit costs. (See Note 24).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

5. Critical accounting estimates and judgments (continued)

e) Decommissioning and environmental obligations (continued)

(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.

(f) Income taxes

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.

6. Property, plant and equipment

	Exploration and Evaluation	Development	Subtotal	Production	Refining and Marketing	Other Businesses and Corporate	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended 2013 September 30							
Opening net book amount	743	107,169	107,912	1,742,842	16,877,383	523,229	19,251,366
Exchange differences	1	451	452	(3,801)	382	(65)	(3,032)
Additions	12	90,475	90,487	181,328	1,140,066	30,830	1,442,711
Transfers	(653)	(17,367)	(18,020)	18,020	--	--	--
Disposals	(90)	--	(90)	(1,278)	--	(5)	(1,373)
Depreciation charge	--	--	--	(246,676)	(653,847)	(12,119)	(912,642)
Closing net book amount	13	180,728	180,741	1,690,435	17,363,984	541,870	19,777,030
As at 2013 September 30							
Cost	13	180,728	180,741	5,751,513	21,912,981	730,680	28,575,915
Accumulated depreciation	--	--	--	(4,061,078)	(4,548,997)	(188,810)	(8,798,885)
Net book amount	13	180,728	180,741	1,690,435	17,363,984	541,870	19,777,030

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

6. Property, plant and equipment (continued)

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
Year ended 2012 September 30 - Restated							
Opening net book amount	693	35,205	35,898	1,878,031	15,903,183	519,505	18,336,617
Exchange differences	(15)	(574)	(589)	33,023	4,611	(97)	36,948
Additions	495	88,438	88,933	146,858	1,247,557	15,957	1,499,305
Transfers	(430)	(15,900)	(16,330)	16,330	--	--	--
Disposals	--	--	--	(93)	(33)	(1,695)	(1,821)
Depreciation charge	--	--	--	(331,307)	(277,935)	(10,441)	(619,683)
Closing net book amount	743	107,169	107,912	1,742,842	16,877,383	523,229	19,251,366
As at 2012 September 30 - Restated							
Cost	743	107,169	107,912	5,556,017	20,766,984	699,660	27,130,573
Accumulated depreciation	--	--	--	(3,813,175)	(3,889,601)	(176,431)	(7,879,207)
Net book amount	743	107,169	107,912	1,742,842	16,877,383	523,229	19,251,366
Year ended 2011 September 30 - Restated							
Opening net book amount	872	17,964	18,836	1,927,777	12,385,580	467,673	14,799,866
Exchange differences	8	1,705	1,713	23,829	193,343	7,065	225,950
Additions	19	42,671	42,690	168,757	3,601,528	56,248	3,869,223
Transfers	(206)	(27,135)	(27,341)	27,341	--	--	--
Disposals	--	--	--	(1)	--	(5)	(6)
Depreciation charge	--	--	--	(269,672)	(277,268)	(11,476)	(558,416)
Closing net book amount	693	35,205	35,898	1,878,031	15,903,183	519,505	18,336,617
As at 2011 September 30 - Restated							
Cost	693	35,205	35,898	5,392,668	19,508,150	686,914	25,623,630
Accumulated depreciation	--	--	--	(3,514,637)	(3,604,967)	(167,409)	(7,287,013)
Net book amount	693	35,205	35,898	1,878,031	15,903,183	519,505	18,336,617

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

6. Property, plant and equipment (continued)

Depreciation expense of \$900,523 (2012: \$609,242; 2011: \$546,940) has been charged in cost of sales, while \$12,119 (2012: \$10,441; 2011: \$11,476) has been charged in other operating expenses. Included in production and Refining and Marketing assets, under depreciation is an impairment loss of \$3,220 and \$272,169 respectively. The Company recorded a reversal of previous impairment losses in production assets, of \$18,604 and \$53,541 in the years ended 2012 September 30 and 2011 September 30 respectively. No reversals of previous losses were recorded in the year ended 2013 September 30.

Costs not subject to depreciation totalled \$12,218,369 (2012: \$13,120,263; 2011: \$12,060,989). These are assets under construction in Refining and Marketing and Corporate as well as Exploration and Evaluation and Development costs.

	As at September 30		
	2013	2012 Restated	2011 Restated
Assets under construction (excluding Exploration and Evaluation and Development costs)			
Production assets	\$ 640,775	\$ 451,815	\$ 451,131
Refining and Marketing assets	11,658,636	12,680,536	11,715,090
Other Business and Corporate assets	378,993	317,383	310,004

Included in Refining and Marketing assets is an amount of \$221,205 (2012: \$219,917; 2011: \$838,664) capitalised in respect of specific borrowing costs. These are actual borrowing costs incurred, less any investment income earned on temporary investment of borrowings. Borrowing costs were incurred on financing for the Ultra Low Sulphur Diesel (ULSD) project during the years ended 2013 September 30 and 2012 September 30, and both Gasoline Optimisation and ULSD projects during the year ended 2011 September 30 (See Note 23).

Included in development assets and Refining and Marketing is interest capitalised during the year, on general borrowings of \$10,093 (2012: \$16,345; 2011: \$29,021) and \$11,985 (2012: \$22,058; 2011: \$15,510) respectively. The capitalisation rate on general borrowings is 1.30% (2012: 1.80%; 2011: 2.10%).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

7. Intangible assets

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2013 September 30								
Opening net book amount	283,556	797,690	1,081,246	254,537	5,794,430	768,582	40,923	7,939,718
Exchange differences	807	1,731	2,538	48	(13,610)	15	(83)	(11,092)
Additions	21,536	904,548	926,084	--	155,064	--	8,675	1,089,823
Transfers Revised	(30,562)	(122,372)	(152,934)	--	152,934	--	--	--
decommissioning cost	--	--	--	--	(1,135,751)	(348,697)	--	(1,484,448)
Disposals	(4,441)	--	(4,441)	--	--	--	--	(4,441)
Amortisation charge	--	--	--	--	(1,204,659)	(54,807)	(7,795)	(1,267,261)
Closing net book amount	270,896	1,581,597	1,852,493	254,585	3,748,408	365,093	41,720	6,262,299
As at 2013 September 30								
Cost	270,896	1,581,597	1,852,493	391,153	14,000,805	894,760	167,696	17,306,907
Accumulated amortisation	--	--	--	(136,568)	(10,252,397)	(529,667)	(125,976)	(11,044,608)
Net book amount	270,896	1,581,597	1,852,493	254,585	3,748,408	365,093	41,720	6,262,299
	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2012 September 30 - Restated								
Opening net book amount	266,679	336,101	602,780	253,308	4,149,071	283,296	27,545	5,316,000
Exchange differences	6	(38,192)	(38,186)	1,229	(9,733)	(348)	(87)	(47,125)
Additions	20,427	602,009	622,436	--	307,470	(14)	19,253	949,145
Transfers Revised	(3,556)	(102,228)	(105,784)	--	105,784	--	--	--
decommissioning cost	--	--	--	--	2,079,593	504,820	--	2,584,413
Disposals	--	--	--	--	(1,612)	--	--	(1,612)
Amortisation charge	--	--	--	--	(836,143)	(19,172)	(5,788)	(861,103)
Closing net book amount	283,556	797,690	1,081,246	254,537	5,794,430	768,582	40,923	7,939,718
As at 2012 September 30								
Cost	283,556	797,690	1,081,246	392,170	14,825,428	1,243,217	158,967	17,701,028
Accumulated amortisation	--	--	--	(137,633)	(9,030,998)	(474,635)	(118,044)	(9,761,310)
Net book amount	283,556	797,690	1,081,246	254,537	5,794,430	768,582	40,923	7,939,718

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

7. Intangible assets (continued)

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended September 30, 2011								
Opening net book amount	132,486	262,818	395,304	250,592	4,263,129	352,927	33,016	5,294,968
Exchange differences	2,342	40,849	43,191	2,716	15,642	5,228	371	67,148
Additions	136,432	334,100	470,532	--	194,035	14	885	665,466
Transfers Revised	(4,581)	(301,666)	(306,247)	--	306,247	--	--	--
decommissioning cost	--	--	--	--	75,935	(26,735)	--	49,200
Disposals	--	--	--	--	(1,462)	--	--	(1,462)
Amortisation charge	--	--	--	--	(704,455)	(48,138)	(6,727)	(759,320)
Closing net book amount	266,679	336,101	602,780	253,308	4,149,071	283,296	27,545	5,316,000
As at September 30, 2011								
Cost	266,679	336,101	602,780	390,349	12,289,337	738,562	139,653	14,160,681
Accumulated amortisation	--	--	--	(137,041)	(8,140,266)	(455,266)	(112,108)	(8,844,681)
Net book amount	266,679	336,101	602,780	253,308	4,149,071	283,296	27,545	5,316,000

Amortisation expense of \$1,259,466 (2012: \$855,315; 2011: \$752,593) has been charged in cost of sales while \$7,795 (2012: \$5,788; 2011: \$6,727) has been charged to other operating expenses. No impairment losses were recorded in the years ended 2011 September 30 to 2013 September 30.

Costs not subject to amortisation totalled \$1,852,493 (2012: \$1,081,246; 2011: \$602,780). Included in production assets is an amount of \$35,157 (2012: \$90,564; 2011: \$23,188) in respect of assets under construction and a net amortised amount of \$1,061,284 (2012: \$2,618,774; 2011: \$638,369) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to seventeen (17) years. Included in refining and marketing assets is a net amortised amount of \$352,795 (2012: \$722,660; 2011: \$252,846) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to fifteen (15) years.

Included in development assets is interest capitalised on general borrowings of \$37,721 (2012: \$46,031; 2011: \$36,193). The capitalisation rate on general borrowings is 1.30% (2012: 1.80%; 2011: 2.10%).

(a) Impairment review of goodwill

In accordance with International Accounting Standard 36 - Impairment of Assets, the test for the impairment of goodwill was calculated based on the average 5-year forecast of prices as approved by Management. Prices beyond the 5-year period were assumed to be constant.

Goodwill is allocated to the Company's cash generating unit, Trinmar Operations' Soldado field, as this is the unit to which the goodwill is associated. The recoverable amount of the Trinmar Operations oil and gas reserves was based on value-in-use calculations. These calculations use the pre-tax cash flow projections based on proved reserves covering a 15-year period.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

7. Intangible assets (continued)

(a) Impairment review of goodwill (continued)

The key assumptions used for the value-in-use calculations are as follows:

- price per barrel of crude of *US\$90.78/TT\$582.73 and price per mscf of natural gas of *US\$1.29/TT\$8.25, estimated using the market assumptions of the Company's Budget for the year ending 2014 September 30 and 2014-2018 Business Plan;
- the future cash flows were adjusted to reflect risks specific to the cash generating unit and risks surrounding the cash flows. These cash flows were discounted using a rate of 6.15% per annum;
- the maximum economic life used for the valuation of reserves was fifty (50) years as this represents Management's estimation of the economic productive life of the field at current rates of extraction;
- supplemental petroleum taxes and other levies on production volumes were calculated at prevailing rates;
- the cash flow beyond the 5-year period were extrapolated using projections based on constant prices and constant costs;
- the carrying value at 2013 September 30 is \$254,585.

Given that there was no significant change in assets and liabilities and that the likelihood of the carrying value exceeding the recoverable amount at the time of the test to be remote, Management believes that there are no reasonable assumptions that would cause the carrying value to exceed the recoverable amount. The impairment test revealed that this asset was not impaired as of 2013 September 30 and consequently no write down of goodwill is required.

**Oil and gas prices quoted above are not expressed in thousands of dollars.*

8. Impairment of fixed assets

In assessing whether a write-down is required in the carrying value of a potentially impaired intangible asset, or an item of property, plant and equipment, its carrying value is compared with its recoverable amounts. Unless otherwise indicated, the recoverable amount used in assessing the impairment charges (described below) is its value-in-use which is derived using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and are discounted using a pre-tax discount rate of 6.15%. This discount rate is derived using a 20-year US treasury rate adjusted for specific risks related to country, industry and company.

Exploration and Production

The value-in-use is based on cash flows expected to be generated by the projected oil and natural gas production profiles up to the expiration of the licence agreement. Key assumptions used for the value-in-use calculations are as follows:

- revenues were derived using projected production and future prices. This data was obtained from market experts (See Note 5(b));
- direct operating costs were projected based on past experience and available historical data on lifting costs;
- the time horizon used for the valuation of the reserves was fifty (50) years as this represents Management's estimation of the economic productive life of the field at current rates of extraction;

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

8. Impairment of fixed assets (continued)

Exploration and Production (continued)

- supplemental petroleum taxes and other levies on production volumes were calculated at prevailing rates;
- the cash flow beyond the 5-year period were extrapolated using projections based on constant prices and constant costs.

An impairment loss of \$3,220 with respect to one cash generating unit was recognised in the year ended 2013 September 30 (2012: \$nil). It is estimated that an increase in the cost of capital by 5% would not cause the carrying amount to exceed the recoverable amount.

Exploration and Evaluation assets

In accordance with IFRS 6, exploration and evaluation assets are assessed for impairment annually or if there are any indications that the assets might be impaired. There were no facts and circumstances indicating that the Company should test these assets for impairment. The following indicators were evaluated to determine whether these assets should be tested:

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

Costs related to exploration activities amounting to \$4,530 was written off in the Statement of Comprehensive Income in the year ended 2013 September 30 (2012: \$nil; 2011: \$nil).

Refining and Marketing

The Company assesses its fixed assets for possible impairment in circumstances which indicate that the carrying values of the assets may not be recoverable. Such indicators include changes in the Company's business plans, changes in product prices leading to an unprofitable performance, low plant utilization and evidence of physical damage. If there are low refining and marketing margins during an extended period, the Company may need to recognise impairment charges. The Company estimates value-in-use using a discounted cash flow model. The key assumptions, to which the calculation of value-in-use for the Refining and Marketing division is most sensitive, are refinery gross margin, capital expenditure and discount rate. The average value assigned to the refinery gross margin during the plan period is based on *US\$8.83 per barrel. For the purpose of determining value-in-use, risk-adjusted cash flows for a period of 20 years have been used at a discount rate of 6.15% per annum.

Refining and marketing carrying amount exceeds its recoverable amount by \$272,169, resulting in an impairment loss which is included under depreciation. Based on sensitivity analysis, a change of 1% in the cost of capital would change the value-in-use by \$1,218,621. A change in gross margin of *US\$0.50/bbl would change the value-in-use by \$1,072,538.

**Oil and gas prices quoted above are not expressed in thousands of dollars.*

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

9. Other costs related to exploration for and evaluation of oil and natural gas resources

Costs related to exploration activities amounting to \$4,530 (2012: \$nil; 2011: \$nil) were expensed in the year ended 2013 September 30 (2012 and 2011: \$nil).

Assets and liabilities related to the exploration for and evaluation of mineral resources other than those presented in Notes 6 and 7 above are as follows:

	As at September 30		
	2013	2012	2011
Payable to contractors and operators	\$ 3,472	\$ 11,387	\$ 7,533

	Year ended September 30		
	2013	2012	2011
Net cash used in operating activities	\$ (4,530)	\$ --	\$ --
Net cash used in investing activities	\$ (20,673)	\$ (15,577)	\$ (199,215)

10. Retirement benefit asset/ (obligation)

10.1 Employee benefits

The majority of the Company's employees participated in one of the Company'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	Republic Bank Limited – Trust and Asset Management Division
Trintopec Staff Pension Plan (SPP)	All ex-Trintopec monthly rated employees	RBC Trust Limited

The SPP is exempt approved under the Income Tax Act whilst the PEPP is yet to be approved by the Board of Inland Revenue and registered with the Central Bank.

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.

Employees contribute to the Plans at a rate of 7% of pensionable pay (basic salary, wages and cost of living allowance), reducing to 4% after 31 years' pensionable service. For the year ended 2013 September 30, the employer's contribution rate was 14% of pensionable pay for PEPP and SPP.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

10. Retirement benefit asset/ (obligation)

10.1 Employee benefits (continued)

The Pension Plans pay:

- Pensions calculated on the basis of service, accrual rate and pensionable salary, and is 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 period, 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 period expires.

A full independent actuarial valuation of the Plans was carried out as at 2010 September 30 and revealed that the funding level of the PEPP was 107% whilst that of the SPP was 154%. The aggregate market value of assets of the former Plans that now form the PEPP stood at \$7,408,500 as at 2010 September 30 while that of the SPP stood at \$1,396,500.

There are 2 self-administered Medical Plans for healthcare in respect of employees and retirees of the Company. All employees are eligible for membership in the Petrotrin Employees Medical Benefit Plan and the Trinmar Plan, where the coverage includes major medical expenses, hospitalisation, dental and optical care. All retirees are eligible for membership under the Petrotrin Retirees' Medical Assistance Plan and the Trinmar Plan where the coverage includes limited medical expenses, hospitalisation for surgery only, dental and optical care. Provision has been made in respect of these medical benefits due to retirees only. No cover is provided to former deferred pensioners even after their pension comes into payment.

An updated valuation of all of the Plans' assets and expected liabilities as at 2013 September 30, 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 2010 September 30, 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 2010 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 charge to the Profit and Loss includes current service cost, net interest on net retirement benefit/obligation, past service cost and administrative expenses.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

10. Retirement benefit asset/(obligation) (continued)

(a) Retirement benefit asset - pension benefits

		As at September 30		
		2013	2012 Restated	2011 Restated
Asset/(Obligation) in statement of financial position:				
Retirement benefit asset - Pension benefits	(a)	\$ 476,000	\$ 226,300	\$ 892,800
Retirement benefit obligation - Medical benefits	(b)	<u>(2,604,500)</u>	<u>(2,378,900)</u>	<u>(1,855,700)</u>
		<u>\$ (2,128,500)</u>	<u>\$ (2,152,600)</u>	<u>\$ (962,900)</u>
Year ended September 30				
		2013	2012 Restated	2011 Restated
Expense recognised in profit or loss:				
Net pension cost	(a)	\$ (244,700)	\$ (154,800)	\$ (168,300)
Net benefit cost	(b)	<u>(182,900)</u>	<u>(157,900)</u>	<u>(153,700)</u>
		<u>\$ (427,600)</u>	<u>\$ (312,700)</u>	<u>\$ (322,000)</u>

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

		As at September 30		
		2013	2012 Restated	2011 Restated
Present value of defined benefit obligation		\$ (10,296,500)	\$ (10,031,300)	\$ (8,056,900)
Fair value of Plan assets		<u>11,007,700</u>	<u>10,406,400</u>	<u>9,416,900</u>
Surplus		711,200	375,100	1,360,000
Effects of Asset Ceiling		<u>(235,200)</u>	<u>(148,800)</u>	<u>(467,200)</u>
Net retirement benefit asset		<u>\$ 476,000</u>	<u>\$ 226,300</u>	<u>\$ 892,800</u>

This asset represents the present value of the reduction in future contributions, as advised by the actuaries.

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

		As at September 30		
		2013	2012 Restated	2011 Restated
Defined benefit obligation at start of year		\$ (10,031,300)	\$ (8,056,900)	\$ (8,034,200)
Current service cost		(256,400)	(210,500)	(198,700)
Interest cost		(487,800)	(489,600)	(487,400)
Members' contributions		(82,900)	(73,800)	(70,000)
Past service cost		--	(1,200)	(1,200)
<i>Re-measurements:</i>				
-Experience adjustments		5,400	(608,600)	255,300
-Actuarial gains from changes in financial assumptions		--	(1,044,600)	--
Benefits paid		<u>556,500</u>	<u>453,900</u>	<u>479,300</u>
Defined benefit obligation at end of year		<u>\$ (10,296,500)</u>	<u>\$ (10,031,300)</u>	<u>\$ (8,056,900)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

10. Retirement benefit asset/(obligation) (continued)

(a) Retirement benefit asset - pension benefits (continued)

Movement in Fair Value of Plan assets during the year:

	2013	As at September 30	
		2012	2011
		Restated	Restated
Fair Value of Plan assets at start of year	\$ 10,406,400	\$ 9,416,900	\$ 8,798,200
Interest income	512,500	580,900	541,200
Return on Plan assets, excluding interest income	404,600	656,800	358,300
Company contributions	163,400	137,100	133,500
Members' contributions	82,900	73,800	70,000
Benefits paid	(556,500)	(453,900)	(479,300)
Administrative expenses	(5,600)	(5,200)	(5,000)
Fair Value of Plan Assets at end of year	<u>\$ 11,007,700</u>	<u>\$ 10,406,400</u>	<u>\$ 9,416,900</u>

Movement in the asset recognised in the statement of financial position:

	2013	As at September 30	
		2012	2011
		Restated	Restated
Retirement benefit asset at start of year	\$ 226,300	\$ 892,800	\$ 1,675,000
Unrecognised Loss charged to retained earnings	--	--	(1,186,100)
Adjusted retirement benefit asset at start of year	226,300	892,800	488,900
Net pension cost	(244,700)	(154,800)	(168,300)
Re-measurement recognised in other comprehensive income	331,000	(648,800)	438,700
Company contributions paid	163,400	137,100	133,500
Retirement benefit asset at end of year	<u>\$ 476,000</u>	<u>\$ 226,300</u>	<u>\$ 892,800</u>

Contributions to post-employment benefit plans for the year ending 2014 September 30 are expected to be approximately \$167,000.

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

	Year ended September 30		
	2013	2012	2011
		Restated	Restated
Current service cost	\$ (256,400)	\$ (210,500)	\$ (198,700)
Interest income on Plan assets	17,300	62,100	36,600
Past service cost	--	(1,200)	(1,200)
Administrative expenses	(5,600)	(5,200)	(5,000)
Net pension cost (Note 29)	<u>\$ (244,700)</u>	<u>\$ (154,800)</u>	<u>\$ (168,300)</u>
Net pension (cost)/income under previous requirements of IAS 19	<u>\$ (250,900)</u>	<u>\$ 138,700</u>	<u>\$ (303,700)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

10. Retirement benefit asset/(obligation) (continued)

(a) Retirement benefit asset - pension benefits (continued)

Re-measurements recognised in Other Comprehensive Income:

	Year ended September 30		
	2013	2012 Restated	2011 Restated
Experience gains/(losses)	\$ 410,000	\$ (996,400)	\$ 613,600
Effect of Asset Ceiling	<u>(79,000)</u>	<u>347,600</u>	<u>(174,900)</u>
Re-measurements recognised in other comprehensive income	<u>\$ 331,000</u>	<u>\$ (648,800)</u>	<u>\$ 438,700</u>

The actual return on the Plan assets was:

	As at September 30		
	2013	2012 Restated	2011 Restated
Actual return on Plan assets	\$ 917,100	\$ 1,237,700	\$ 899,500

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

	As at September 30		
	2013	2012 Restated	2011 Restated
Locally listed equities	\$ 3,507,600	\$ 3,149,100	\$ 2,625,800
Overseas equities	1,503,500	1,117,900	1,085,500
Bonds	5,059,800	4,680,600	4,489,500
Mortgages	22,200	29,900	38,800
Mutual Funds	97,400	291,700	140,000
Cash and cash equivalents	<u>817,200</u>	<u>1,137,200</u>	<u>1,037,300</u>
Fair value of Plan assets at end of year	<u>\$ 11,007,700</u>	<u>\$ 10,406,400</u>	<u>\$ 9,416,900</u>

The principal actuarial assumptions used were as follows*:

	As at September 30		
	2013	2012 Restated	2011 Restated
Discount rate	5.00%	5.00%	6.25%
Future salary increases	4.75%	4.75%	5.50%

* Rates 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 0.5% 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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

10. Retirement benefit asset/(obligation) (continued)

(a) Retirement benefit asset - pension benefits (continued)

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

Mortality assumptions:

	2013	As at September 30	
		2012	2011
Life expectancy at age 60 for current pensioners in years			
Male	21.0	21.0	21.0
Female	25.1	25.1	25.1
Life expectancy at age 60 for current members aged 40 in years			
Male	21.4	21.4	21.4
Female	25.4	25.4	25.4

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 2013 September 30 would have changed as a result of a change in these assumptions.

	1%pa higher	1%pa lower
	\$	\$
- Discount Rate	(1,073,500)	1,335,800
- Future salary increases	374,600	(315,100)

An increase of one (1) year in the assumed life expectancies shown above would increase the defined benefit obligation at 2013 September 30 by \$115,000.

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

10. Retirement benefit asset/(obligation) (continued)

(b) Retirement benefit obligation - medical benefits

Movement in Present Value of Retirement Benefit Obligation:

	As at September 30		
	2013	2012 Restated	2011 Restated
Retirement benefit obligation at start of year	\$ (2,378,900)	\$ (1,855,700)	\$ (1,785,700)
Current service cost	(66,000)	(44,300)	(44,400)
Interest cost	(116,900)	(113,600)	(109,300)
<i>Re-measurements:</i>			
- Experience Adjustments	(134,200)	(42,300)	14,400
- Actuarial gains from changes in financial assumptions	--	(399,100)	--
Benefits paid by Company (net of retiree contributions)	<u>91,500</u>	<u>76,100</u>	<u>69,300</u>
Retirement benefit obligation at end of year	<u>\$ (2,604,500)</u>	<u>\$ (2,378,900)</u>	<u>\$ (1,855,700)</u>

Reconciliation of Opening and Closing Balance Sheet Entries:

	As at September 30		
	2013	2012 Restated	2011 Restated
Retirement benefit obligation at start of year	\$ (2,378,900)	\$ (1,855,700)	\$ (1,456,000)
Unrecognised loss charged to retained earnings	<u>--</u>	<u>--</u>	<u>(329,700)</u>
Adjusted retirement benefit obligation at start of year	(2,378,900)	(1,855,700)	(1,785,700)
Net benefit cost	(182,900)	(157,900)	(153,700)
Re-measurements recognised in other comprehensive income	(134,200)	(441,400)	14,400
Benefits paid by Company (net of retiree contributions)	<u>91,500</u>	<u>76,100</u>	<u>69,300</u>
Retirement benefit obligation at end of year	<u>\$ (2,604,500)</u>	<u>\$ (2,378,900)</u>	<u>\$ (1,855,700)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10. Retirement benefit asset/(obligation) (continued)

(b) Retirement benefit obligation - medical benefits (continued)

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

	Year ended September 30		
	2013	2012 Restated	2011 Restated
Current service cost	\$ (66,000)	\$ (44,300)	\$ (44,400)
Interest on retirement benefit obligation	<u>(116,900)</u>	<u>(113,600)</u>	<u>(109,300)</u>
Net benefit cost (Note 29)	<u>\$ (182,900)</u>	<u>\$ (157,900)</u>	<u>\$ (153,700)</u>
Net benefit cost under previous requirements of IAS 19	\$ (227,900)	\$ (168,400)	\$ (167,400)

Re-measurements recognised in Other Comprehensive Income:

	Year ended September 30		
	2013	2012 Restated	2011 Restated
Experience gains/(losses)	<u>\$ (134,200)</u>	<u>\$ (441,400)</u>	<u>\$ (14,400)</u>

Summary of principal assumptions used were as follows*:

	As at September 30		
	2013	2012	2011
Discount rate	5.00%	5.00%	6.25%
Medical expenses increases	5.75%	5.75%	5.75%

* Rates 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 2013 September 30 would have changed as a result of a change in the assumptions used.

	1%pa higher	1%pa lower
- Discount Rate	\$ (360,200)	\$ 459,500
- Medical expenses increases	453,600	(363,100)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 2013 September 30 by \$135,000.

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

11. Cash in escrow

	As at September 30		
	2013	2012	2011
COPCO Bankers Trust Liquid Account	\$ --	\$ --	\$ 80,903
COPCO Collection Account	--	--	35,300
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 116,203</u>

Petrotrin issued a Redemption Notice to the Issuer (COPCO) on 2011 November 16. These Notes were redeemed on 2012 January 17.

12. Available-for-sale financial instruments

	As at September 30		
	2013	2012	2011
La Brea Industrial Development Company Limited (LABIDCO)	\$ 3,983	\$ 3,982	\$ 3,981
Metal Industries Company Limited	192	192	192
Lake Asphalt of Trinidad and Tobago (1975) Limited (LATT)	<u>1</u>	<u>1</u>	<u>1</u>
	<u>\$ 4,176</u>	<u>\$ 4,175</u>	<u>\$ 4,174</u>

There were no disposals during the year. No impairment losses were recorded in the years ended 2011 September 30 to 2013 September 30. These investments are not rated.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

13. Investments in subsidiaries

	As at September 30		
	2013	2012	2011
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	\$ 2	\$ 2	\$ 2
Trinmar Limited (Trinmar)	2	2	2
Trinidad Northern Areas Limited (TNA)	721	721	721
Petrotrin EAP Services Limited (PEAPSL)	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
Total Investments in Subsidiaries	<u>\$ 2,225</u>	<u>\$ 2,225</u>	<u>\$ 2,225</u>

Name of Company	Country of Incorporation	Proportion of Issued Equity Capital held
-----------------	--------------------------	--

Trintomar	Trinidad and Tobago	80%
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Trintomar is principally engaged in developing and producing natural gas from the Pelican Field which originally formed part of the South East Coast Consortium area.

Trinmar	Trinidad and Tobago	100%
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Trinmar operated certain concessions in accordance with a Marine Operating Agreement dated August 1, 1960. This company is now dormant.

TNA	United Kingdom	100 %
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TNA was formed for the specific purpose of holding certain licenses. These licenses assign certain rights to explore for, drill, develop, produce and take oil, natural gas and other hydrocarbons from certain geological areas within the jurisdiction of Trinidad and Tobago.

PEAPSL	Trinidad and Tobago	100 %
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PEAPSL provides counselling services for employees and third parties.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

14. Investment in jointly controlled entity

	As at September 30		
	2013	2012	2011
World GTL Trinidad Limited (WGTL TL)	\$ <u>1</u>	\$ <u>1</u>	\$ <u>1</u>

World GTL Trinidad Limited (WGTL TL), a jointly controlled entity between World GTL St Lucia Limited and Petrotrin, is a limited liability company incorporated under the laws of Trinidad and Tobago. Petrotrin currently holds a 49% shareholding in WGTL TL.

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 on 2009 September 25. The asset was fully impaired in the year ended 2009 September 30. No additional impairment losses or reversals of previous impairment losses were recorded in the years ended 2010 September 30 to 2013 September 30.

No financial statements were received from WGTL Trinidad Ltd for the years ending 2010 September 30 to 2013 September 30. Therefore, Petrotrin's share of losses/profits could not be determined.

On 2011 February 01, the Receiver published a notice advertising the sale of an unfinished Gas-to-Liquids plant and other assets of World GTL TL. (See Note 40 (c)).

15. Net deferred income tax assets/(liabilities)

Deferred income taxes are calculated on all temporary differences under the liability method using tax rates of 55% (Exploration and Production Operations (E&P)) and 50% (Refining and Marketing Operations (R&M)).

The movement of the deferred income tax account is as follows:

	As at September 30		
	2013	2012	2011
At start of year:	\$ 95,176	\$ (1,271,684)	\$ (629,346)
Credit /(Charge) for the year:			
Recognised in profit or loss (Note 33)	1,864,322	784,766	(403,467)
Recognised in other comprehensive income	<u>(105,628)</u>	<u>582,094</u>	<u>(238,871)</u>
At end of year	\$ <u>1,853,870</u>	\$ <u>95,176</u>	\$ <u>(1,271,684)</u>

Deferred income tax assets are recognised to the extent that realisation of the related tax benefit is probable.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

15. Net deferred income tax assets/(liabilities) (continued)

Deferred income tax assets and liabilities in the statement of financial position, and the deferred tax credit to profit or loss, are attributable to the following items:

	As at 2012 September 30 Restated	(Charged)/Credited		As at 2013 September 30
	\$	Profit/(loss) \$	Other comprehensive income \$	\$
Deferred income tax assets				
Retirement benefit obligation	1,270,333	297,224	(176,754)	1,390,803
Provision for abandonment	3,607,680	(576,076)	--	3,031,604
Vacation leave payable	92,549	4,570	--	97,119
Interest payable	267,308	(22,538)	--	244,770
Tax losses carried forward	<u>4,661,743</u>	<u>2,116,164</u>	<u>--</u>	<u>6,777,907</u>
	<u>9,899,613</u>	<u>1,819,344</u>	<u>(176,754)</u>	<u>11,542,203</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(3,156,046)	891,609	--	(2,264,437)
Accelerated tax depreciation (R&M)	(6,521,806)	(649,515)	--	(7,171,321)
Retirement benefit asset	(120,844)	(204,466)	71,126	(254,184)
Exchange gain	<u>(5,741)</u>	<u>7,350</u>	<u>--</u>	<u>1,609</u>
	<u>(9,804,437)</u>	<u>44,978</u>	<u>71,126</u>	<u>(9,688,333)</u>
Net deferred income tax assets	<u><u>95,176</u></u>	<u><u>1,864,322</u></u>	<u><u>(105,628)</u></u>	<u><u>1,853,870</u></u>

	As at 2011 September 30 Restated	(Charged)/Credited		As at 2012 September 30 Restated
	\$	Profit/(loss) \$	Other comprehensive income \$	\$
Deferred income tax assets				
Retirement benefit obligation	990,944	43,756	235,633	1,270,333
Provision for abandonment	2,032,467	1,575,213	--	3,607,680
Vacation leave payable	73,924	18,625	--	92,549
Interest payable	364,889	(97,581)	--	267,308
Tax losses carried forward	<u>3,102,101</u>	<u>1,559,642</u>	<u>--</u>	<u>4,661,743</u>
	<u>6,564,325</u>	<u>3,099,655</u>	<u>235,633</u>	<u>9,899,613</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(2,166,042)	(990,004)	--	(3,156,046)
Accelerated tax depreciation (R&M)	(5,255,613)	(1,266,193)	--	(6,521,806)
Retirement benefit asset	(476,755)	9,450	346,461	(120,844)
Exchange gain	<u>62,401</u>	<u>(68,142)</u>	<u>--</u>	<u>(5,741)</u>
	<u>(7,836,009)</u>	<u>(2,314,889)</u>	<u>346,461</u>	<u>(9,804,437)</u>
Net deferred income tax assets	<u><u>(1,271,684)</u></u>	<u><u>784,766</u></u>	<u><u>582,094</u></u>	<u><u>95,176</u></u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

15. Net deferred income tax assets/(liabilities) (continued)

	As at 2010	(Charged)/Credited		As at 2011
	September 30	Profit/(loss)	Other comprehensive income	September 30
	Restated			Restated
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	953,564	45,165	(7,785)	990,944
Provision for abandonment	1,861,513	170,954	--	2,032,467
Vacation leave payable	72,209	1,715	--	73,924
Interest payable	351,649	13,240	--	364,889
Tax losses carried forward	<u>2,499,662</u>	<u>602,439</u>	<u>--</u>	<u>3,102,101</u>
	<u>5,738,597</u>	<u>833,513</u>	<u>(7,785)</u>	<u>6,564,325</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(2,164,064)	(1,978)	--	(2,166,042)
Accelerated tax depreciation (R&M)	(3,929,027)	(1,326,586)	--	(5,255,613)
Retirement benefit asset	(261,073)	15,404	(231,086)	(476,755)
Exchange gain	<u>(13,779)</u>	<u>76,180</u>	<u>--</u>	<u>62,401</u>
	<u>(6,367,943)</u>	<u>(1,236,980)</u>	<u>(231,086)</u>	<u>(7,836,009)</u>
Net deferred income tax liabilities	<u>(629,346)</u>	<u>(403,467)</u>	<u>(238,871)</u>	<u>(1,271,684)</u>

16. Income taxes recoverable

As at September 30		
2013	2012	2011
\$ <u>530,506</u>	\$ <u>530,506</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.

17. Cash in escrow - shareholder

As at September 30		
2013	2012	2011
\$ <u>84,839</u>	\$ <u>71,949</u>	\$ <u>59,766</u>

The new land licences agreements effective in the year 2006, contain a clause requiring Petrotrin to establish an escrow account at an approved financial institution in the name of the Minister of Energy and Energy Affairs. Cash reserves, calculated based on production volumes, are to be accumulated in the account for use as a contingency fund for remediation of pollution arising from Petroleum operations carried out under the licenses, as well as the eventual decommissioning of wells and facilities in the licensed areas. The Minister has sole discretion to access these funds in the event that Petrotrin fails to effect any environmental clean-up, properly abandon wells or decommission facilities. However, once the Company fulfils all decommissioning obligations to the satisfaction of the Minister, and upon determination of the license, the Minister shall return all existing funds in the escrow account to Petrotrin (See Note 34 (iii)).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

18. Loans receivable

	As at September 30		
	2013	2012	2011
(a) Point Fortin LNG Exports Limited	\$ 1,929	\$ 3,386	\$ 5,419
(b) World GTL Trinidad Limited (WGTL TL)	--	--	--
(c) World GTL Inc.	--	--	--
(d) World GTL Trinidad Limited (WGTL TL) in receivership	--	--	--
	<u>\$ 1,929</u>	<u>\$ 3,386</u>	<u>\$ 5,419</u>
<i>of which:</i>			
Current portion	\$ 1,252	\$ 1,877	\$ 2,502
Non-current portion	677	1,509	2,917
At end of year	<u>\$ 1,929</u>	<u>\$ 3,386</u>	<u>\$ 5,419</u>
Beginning of year	\$ 3,386	\$ 5,419	\$ 5,867
Disbursements	5,173	9,375	32,324
Impairment loss (Note 30)	(5,173)	(9,375)	(32,324)
Reversal of previous impairment losses (Note 30)	420	468	688
Recoveries	(1,877)	(2,500)	(1,249)
Exchange differences	--	(1)	113
End of year	<u>\$ 1,929</u>	<u>\$ 3,386</u>	<u>\$ 5,419</u>

- (a) This amount represents a non-interest bearing loan, which was Petrotrin's share (19.5%) of Point Fortin LNG Exports Limited's (PFLE) funding request of its shareholders. Under the PFLE Shareholders/Affiliates Facility Agreement of 2002 May 01, Petrotrin along with the other shareholders of PFLE agreed to each make available a revolving working capital facility of an amount up to a total of US\$10,000 (TT\$64,195) for an initial period to 2009 June 30, with any outstanding amounts being repayable in full by 2009 December 31. A further extension of the term of this facility was requested by the PFLE Board of Directors from 2009 December 01 to 2015 December 31, with five (5) instalments paid to date in December of each year from 2009-2013. The remaining balance will be repaid as cash becomes available. The carrying value of this loan as at 2013 September 30, was US\$235/TT\$1,509 while its fair value was US\$300/TT\$1,929. A partial reversal of impairment loss of US\$65/TT\$420 was made to profit in financial year 2013 (2012: US\$73/TT\$468; 2011: US\$108/TT\$688).
- (b) This loan arose from Petrotrin's settlement on 2009 July 07, of a loan payable by WGTL TL to a financial institution. As a result, 100% of the rights and interests of the Lender under its Credit Agreement with 'WGTL TL' were assigned to Petrotrin. On 2009 September 25, Petrotrin exercised its rights under the assigned Credit Agreement to appoint a Receiver after WGTL TL failed to repay the subject loan on its maturity on 2009 September 18. Due to insufficient cash flows and following discussions with Management and the Receiver, this loan receivable became fully impaired at 2010 September 30 (US\$127,807/TT\$801,936)*.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

18. Loans receivable (continued)

- (c) The Guarantee Contribution Agreement of 2007 January 12 between World GTL Inc. and Petrotrin caters for the funding of cost overruns on the construction of the WGTL Trinidad Limited Gas-to-Liquids Plant, with periodic drawdowns. This loan represented shortfalls in the funding made by World GTL Inc., which were met by Petrotrin to a total amount of US\$97,107/TT\$609,862. These amounts are to be repaid on the second anniversary of the date of the respective disbursement, and interest was accrued at 7.23% during the first year of disbursement and 7.73% thereafter. Due to insufficient cash flows to service the WGTL TL loan, the World GTL Inc. loan became fully impaired at 2009 September 30.
- (d) At a meeting held on 2009 November 18 the Board of Directors agreed that all funds advanced by Petrotrin to the Receiver will form a secured loan between Petrotrin and the Receiver, at an interest rate of 10.37% for a term of three (3) years with a one (1) year moratorium on principal repayment.

A full provision for impairment was recognised on this loan receivable at 2010 September 30 (US\$42,452/TT\$268,809*). Additional disbursements of US\$807/TT\$5,173* were made in the year ended 2013 September 30 (2012: US\$1,465/TT\$9,375*; 2011: US\$5,066/TT\$32,324*). A full provision was also made for these amounts.

* These US\$ amounts have been converted to TT\$ at the rates prevailing at the dates of the respective transactions.

19. Inventories

	As at September 30		
	2013	2012	2011
Materials and supplies	\$ 581,555	\$ 632,091	\$ 436,562
Less: provision for obsolescence	<u>(49,406)</u>	<u>(57,951)</u>	<u>(76,419)</u>
	532,149	574,140	360,143
Crude oil	1,148,533	1,566,840	1,195,779
Refined products	<u>2,705,017</u>	<u>2,868,084</u>	<u>2,364,368</u>
	<u>\$ 4,385,699</u>	<u>\$ 5,009,064</u>	<u>\$ 3,920,290</u>

The Company recognised a decrease of \$8,545 (2012: decrease of \$18,468; 2011: increase of \$1,586) in the provision for obsolescence of its inventories.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

20. Receivables and prepayments

	2013	As at September 30	
		2012 Restated	2011 Restated
Trade receivables	\$ 4,187,231	\$ 3,681,606	\$ 2,921,747
Less: provision for impairment of trade receivables	<u>(114,821)</u>	<u>(59,909)</u>	<u>(19,702)</u>
	<u>4,072,410</u>	<u>3,621,697</u>	<u>2,902,045</u>
Receivables from related parties	5,724,402	6,606,108	4,704,467
Less: provision for impairment of receivables	<u>(374,359)</u>	<u>(265,815)</u>	<u>(152,615)</u>
	<u>5,350,043</u>	<u>6,340,293</u>	<u>4,551,852</u>
Other receivables	806,234	645,322	718,914
Less: provision for impairment of other receivables	<u>(149,904)</u>	<u>(134,018)</u>	<u>(70,434)</u>
	<u>656,330</u>	<u>511,304</u>	<u>648,480</u>
Due from subsidiaries	<u>3,337</u>	<u>3,727</u>	<u>28,729</u>
Trade and other receivables excluding prepayments and taxes	10,082,120	10,477,021	8,131,106
Taxes recoverable	1,831	671	551
Prepayments	<u>284,356</u>	<u>235,969</u>	<u>197,253</u>
Trade and other receivables including prepayments and taxes	<u>\$ 10,368,307</u>	<u>\$ 10,713,661</u>	<u>\$ 8,328,910</u>

21. Cash and cash equivalents

	2013	As at September 30	
		2012	2011
Cash at bank and in hand	\$ 304,737	\$ 231,441	\$ 90,370
Short-term bank deposits	<u>1,917,585</u>	<u>1,595,103</u>	<u>2,435,362</u>
	<u>\$ 2,222,322</u>	<u>\$ 1,826,544</u>	<u>\$ 2,525,732</u>

The weighted average effective interest rate on short-term deposits was 0.18% (2012: 0.13%; 2011: 0.33%). These deposits have an average maturity of one (1) day (2012: one (1) day; 2011: twenty (20) days).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22. Share capital

	2013	As at September 30 2012	2011
Authorised			
300,000,000 ordinary shares of no par value (2012: 300,000,000 ordinary shares of no par value) (2011: 300,000,000 ordinary shares of no par value)			
Issued and fully paid			
300,000,000 ordinary shares of no par value (2012: 300,000,000 ordinary shares of no par value) (2011: 300,000,000 ordinary shares of no par value)			
	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>

23. Borrowings

The carrying amounts of borrowings are stated below:

	2013	As at September 30 2012	2011
Gasoline Optimisation Project /Ultra Low Sulphur Diesel Plant (a)	\$ 5,395,013	\$ 5,386,998	\$ 5,378,983
Gasoline Optimisation Project (a)	3,580,804	3,974,836	4,367,637
Notes Issued by COPCO under the terms of a forward sale contract (b)	--	--	315,343
Total borrowings (at fixed rates)	<u>\$ 8,975,817</u>	<u>\$ 9,361,834</u>	<u>\$ 10,061,963</u>
<i>of which:</i>			
Current portion	\$ 395,305	\$ 394,729	\$ 709,475
Non-current portion	<u>8,580,512</u>	<u>8,967,105</u>	<u>9,352,488</u>
	<u>\$ 8,975,817</u>	<u>\$ 9,361,834</u>	<u>\$ 10,061,963</u>
Maturity of non-current borrowings			
Later than 1 and less than 3 years	\$ 792,259	\$ 789,956	\$ 789,692
Between 3 and 4 years	397,036	395,764	395,632
5 years and over	<u>7,391,217</u>	<u>7,781,385</u>	<u>8,167,164</u>
	<u>\$ 8,580,512</u>	<u>\$ 8,967,105</u>	<u>\$ 9,352,488</u>

Weighted average effective interest rates:

	Year ended September 30		
	2013	2012	2011
- bank borrowings (medium and long-term)	8.26%	8.16%	8.07%

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

23. Borrowings (continued)

The fair value of borrowings are stated below:

	As at September 30		
	2013	2012	2011
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	\$ 6,915,172	\$ 7,099,600	\$ 6,514,355
Gasoline Optimisation Project	3,854,565	4,414,205	4,405,151
Notes Issued by COPCO under the terms of a forward sale contract	--	--	315,343
	<u>\$ 10,769,737</u>	<u>\$ 11,513,805</u>	<u>\$ 11,234,849</u>

The fair value of borrowings was derived by discounting all future cash flows at prevailing market interest rates that ranged from 4.72% to 4.83% (2012: 4.18% to 4.77%; 2011: 6.59% to 6.73%). The discount rates used to derive the fair value of the bonds represent the borrowing rates if Petrotrin were to access the market at year-end. This pricing is derived from Bloomberg's screen shot of price based on the yield to maturity (YTM) on the associated bond at year-end.

The table below summarises the sensitivity of fair value amounts to a change in the discount rate:

	As at September 30		
	2013	2012	2011
Increase by 1%	\$	\$	\$
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	(309,625)	(268,559)	(353,342)
Gasoline Optimisation Project	<u>(136,326)</u>	<u>(173,412)</u>	<u>(176,686)</u>
	<u>(445,951)</u>	<u>(441,971)</u>	<u>(530,028)</u>
Decrease by 1%			
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	327,971	382,899	379,887
Gasoline Optimisation Project	<u>184,922</u>	<u>184,922</u>	<u>188,912</u>
	<u>512,893</u>	<u>567,821</u>	<u>568,799</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

23. Borrowings (continued)

(a) Gasoline Optimisation Project/ Ultra Low Sulphur Diesel Plant

Description	US\$850 Million	US\$750 Million
Carrying value at 2013 September 30	TT\$5,395,013	TT\$3,580,804
Carrying value at 2012 September 30	TT\$5,386,998	TT\$3,974,836
Carrying value at 2011 September 30	TT\$5,378,983	TT\$4,367,637
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	Baa3/BBB by Moody's Investor Services and Standard and Poor's respectively	Baa2/BBB+ by Moody's Investor Services and Standard and Poor's respectively
Date of loan	2009 August 14	2007 May 08
Fixed coupon rate	9.75% per annum	6.00% per annum
Yield	9.875%	6.062%
Tenor	10 years	15 years
Moratorium	--	3 years on principal repayments
Interest payments	Payable semi-annually on August 14 and February 14 commencing on 2009 August 14	Payable semi-annually on May 08 and November 08 commencing 2007 May 08
Principal repayments	Bullet	24 equal semi-annual instalments on each May 08 and November 08 of US\$31,250/TT\$200,503 beginning November 08, 2010
Maturity	2019 August 14	2022 May 08
Redemption	Subject to optional redemption	Subject to optional redemption

The proceeds of the Notes are being used to finance the Gasoline Optimisation Project (GOP), and to construct the Ultra Low Sulphur Diesel (ULSD) Plant.

The GOP is an extensive upgrade of the refinery, which, upon implementation will enable Petrotrin to produce increased volumes of higher quality environmentally satisfactory gasoline. The GOP includes the addition of an upgraded Fluidised Catalytic Cracking Unit (FCCU), a Naphtha Pre-Fractionation Unit (PFU), an Isomerisation Unit, a Continuous Catalytic Regeneration Platformer Unit (CCR), an Alkylation Unit/Acid Plant and all associated utilities and offsites. The project started commercial production in 2013 December.

The ULSD Plant is a high pressure, catalytic, hydrotreating process utilising the SynSat licensed process technology. Upon implementation, Petrotrin will produce improved quality diesel that will meet new local and international quality specifications. In addition, the new ULSD Plant will provide additional value as it would enable our refinery to process a broader range of crude oils, and can result in the substitution of relatively expensive crudes with some that are less expensive, improving overall margins. Mechanical completion on this project is estimated at 2014 June.

Standard Investment Grade covenants apply including limitations on liens, limitations on sale and leaseback transactions and limitations on consolidation, merger and sale of assets.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

23. Borrowings (continued)

(a) Gasoline Optimisation Project/ Ultra Low Sulphur Diesel Plant (continued)

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.

(b) Notes issued by COPCO under the terms of a forward sale contract

	2013	As at September 30	
		2012	2011
Notes issued by COPCO under the terms of a forward sale contract	\$ --	\$ --	\$ 315,343

Petrotrin redeemed the COPCO Notes on 2012 January 17.

24. Provisions

Decommissioning costs

	2013	As at September 30	
		2012	2011
At start of year	\$ 6,758,758	\$ 3,841,697	\$ 3,473,267
Revised costs estimates	(1,484,448)	2,584,413	49,200
Charge to income statement:			
- Finance charge (Note 32)	411,593	333,032	271,204
- Utilisation	(2,774)	(2,148)	(6,484)
Translation differences	<u>2,203</u>	<u>1,764</u>	<u>54,510</u>
At end of year	<u>\$ 5,685,332</u>	<u>\$ 6,758,758</u>	<u>\$ 3,841,697</u>
<i>of which:</i>			
Current portion	\$ 13,752	\$ 18,172	\$ 19,507
Non-current portion	<u>5,671,580</u>	<u>6,740,586</u>	<u>3,822,190</u>
At end of year	<u>\$ 5,685,332</u>	<u>\$ 6,758,758</u>	<u>\$ 3,841,697</u>

This represents Management's best estimated cost of dismantling exploration and production assets at the end of the producing lives of the fields and the refinery at the end of its useful life and includes the costs of environmental remediation.

The estimated decommissioning cost at the end of the producing lives of fields is reviewed annually and is based on engineering estimates and reports. Provision is made for the estimated cost of decommissioning at the reporting date. The provision has been estimated using existing technology, at current prices, and discounted using a risk adjusted rate of 6.15% (2012: 6.17%; 2011: 8.91%) per annum. The decrease in decommissioning costs in the year ended 2013 September 30 is due to revised cost structures arising from a lower escalation rate of 2% per annum (\$1,616,481) partly offset by a lower discount rate (\$132,033). The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be between 2014 and 2030.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

25. Trade and other payables

	2013	As at September 30	
		2012	2011
		Restated	Restated
Trade payables	\$ 1,590,559	\$ 1,365,973	\$ 1,332,740
Due to subsidiary company	2,415	7,229	12,900
Due to related parties	189,800	213,688	262,584
Benefits due to employees	596,656	636,561	1,053,156
Accrued expenses	1,564,588	1,402,502	1,203,137
Accrued interest	165,399	184,388	197,905
Other payables	<u>203,113</u>	<u>195,817</u>	<u>162,821</u>
Trade and other payables excluding statutory liabilities	4,312,530	4,006,158	4,225,243
Due to Government of Trinidad and Tobago			
- Royalties	309,136	306,455	295,329
- Taxes other than income taxes	<u>171,465</u>	<u>192,391</u>	<u>282,983</u>
Trade and other payables including statutory liabilities	<u>\$ 4,793,131</u>	<u>\$ 4,505,004</u>	<u>\$ 4,803,555</u>

26. Short-term loans

Short-term loans	<u>\$ 3,979,968</u>	<u>\$ 3,688,914</u>	<u>\$ 3,431,191</u>
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Short-term loans during the year were unsecured with effective interest rates ranging from 1.16% to 1.85% (2012: 1.20% to 3.23%; 2011: 1.04% to 1.90%) per annum. They had varying maturity dates of 119 to 180 days (2012: 60 to 180 days; 2011: 28 to 201 days).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

27. Revenue

	Year ended September 30		
	2013	2012	2011
Refined products sales	\$ 30,178,270	\$ 35,504,255	\$ 34,728,815
Natural gas sales	459,066	777,519	733,921
Crude oil sales	464,292	479,041	419,868
Royalty income	714,843	762,846	834,157
Natural gas liquids sales	<u>63,626</u>	<u>38,030</u>	<u>93,910</u>
	<u>\$ 31,880,097</u>	<u>\$ 37,561,691</u>	<u>\$ 36,810,671</u>

28. Other operating income

Marine income	\$ 46,994	\$ 58,023	\$ 52,462
Processing fees	2,510	2,100	3,269
Income from utilities	48,209	63,386	33,471
Interest on receivables	152,269	141,527	83,785
Recoveries from subsidiary	--	45,391	--
Other income	<u>53,328</u>	<u>49,667</u>	<u>16,590</u>
	<u>\$ 303,310</u>	<u>\$ 360,094</u>	<u>\$ 189,577</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

29. Operating costs by nature

(a) The following items are included in cost of sales; administrative expenses; marketing expenses and other operating expenses from continuing operations:

	Year ended 2013 September 30				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	20,529,566	--	--	--	20,529,566
Production taxes	3,090,356	--	--	--	3,090,356
Employee benefits expense (excluding retirement benefits) (Note 31)	1,413,990	722,302	60,561	--	2,196,853
Production and refining expenses	1,574,633	--	--	--	1,574,633
Movement in inventories	581,373	--	--	--	581,373
Amortisation of intangible assets (Note 7)	1,259,466	--	--	7,795	1,267,261
Depreciation (Note 6)	900,523	--	--	12,119	912,642
Operating lease rental	297,928	16,706	902	--	315,536
Loss on disposal of property, plant and equipment and intangible assets (Note 39)	--	5	--	5,775	5,780
Net benefit cost (Note 10)	--	182,900	--	--	182,900
Loss on foreign currency exchange	--	--	--	(4,548)	(4,548)
Charge for bad and doubtful debts (Note 4.1(b))	180,471	(939)	--	--	179,532
Directors and key management remuneration (Note 37)	--	9,504	--	--	9,504
Decrease in provision for inventory obsolescence (Note 19)	(9,993)	1,448	--	--	(8,545)
Net pension cost (Note 10)	--	244,700	--	--	244,700
Other	77,685	55,853	(7,124)	(939)	125,475
Total	<u>29,895,998</u>	<u>1,232,479</u>	<u>54,339</u>	<u>20,202</u>	<u>31,203,018</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

29. Operating costs by nature (continued)

	Year ended 2012 September 30 - Restated				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	26,335,689	--	--	--	26,335,689
Production taxes	3,372,422	--	--	--	3,372,422
Employee benefits expense (excluding retirement benefits) (Note 31)	1,336,584	767,061	60,435	--	2,164,080
Production and refining expenses	1,536,430	--	--	--	1,536,430
Movement in inventories	(874,776)	--	--	--	(874,776)
Amortisation of intangible assets (Note 7)	855,315	--	--	5,788	861,103
Depreciation (Note 6)	609,242	--	--	10,441	619,683
Operating lease rental	298,662	14,884	954	--	314,500
Loss on disposal of property, plant and equipment and intangible assets (Note 39)	--	1,406	--	1,737	3,143
Net benefit cost (Note 10)	--	157,900	--	--	157,900
Loss on foreign currency exchange	--	--	--	7,792	7,792
Charge for bad and doubtful debts (Note 4.1(b))	211,229	1,083	--	--	212,312
Directors and key management remuneration (Note 37)	--	6,463	--	--	6,463
Decrease in provision for inventory obsolescence (Note 19)	1,159	(19,627)	--	--	(18,468)
Net pension cost (Note 10)	--	154,800	--	--	154,800
Other	88,692	66,532	56,758	(1,258)	210,724
Total	<u>33,770,648</u>	<u>1,150,502</u>	<u>118,147</u>	<u>24,500</u>	<u>35,063,797</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

29. Operating costs by nature (continued)

	Year ended September 30, 2011 - Restated				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other Operating expenses	
	\$	\$	\$	\$	\$
Purchases	23,309,233	--	--	--	23,309,233
Production taxes	3,456,766	--	--	--	3,456,766
Employee benefits expense (excluding retirement benefits) (Note 31)	1,311,078	799,769	54,082	--	2,164,929
Production and refining expenses	1,281,777	--	--	--	1,281,777
Movement in inventories	(440,847)	--	--	--	(440,847)
Amortisation of intangible assets (Note 7)	752,593	--	--	6,727	759,320
Depreciation (Note 6)	546,940	--	--	11,476	558,416
Operating lease rental	330,594	10,384	6,474	--	347,452
Loss on disposal of property, plant and equipment and intangible assets (Note 39)	--	(217)	--	1,463	1,246
Net benefit cost (Note 10)	--	153,700	--	--	153,700
Loss on foreign currency exchange	--	--	--	51,822	51,822
Charge for bad and doubtful debts (Note 4.1 (b))	83,294	(1,681)	--	--	81,613
Directors and key management remuneration (Note 37)	--	6,737	--	--	6,737
Increase in provision for inventory obsolescence (Note 19)	(922)	2,508	--	--	1,586
Net pension cost (Note 10)	--	168,300	--	--	168,300
Other	83,538	56,757	57,774	(1,841)	196,228
Total	<u>30,714,044</u>	<u>1,196,257</u>	<u>118,330</u>	<u>69,647</u>	<u>32,098,278</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

30. Impairment losses

		Year ended September 30		
		2013	2012	2011
Impairment loss related to loans receivable:				
	- World GTL Inc.	\$ --	\$ --	\$ --
	- WGTL TL	--	--	--
	- WGTL TL in receivership	<u>5,173</u>	<u>9,375</u>	<u>32,324</u>
18		<u>\$ 5,173</u>	<u>\$ 9,375</u>	<u>\$ 32,324</u>
Reversal of previous impairment losses:				
	- PFLE	<u>(420)</u>	<u>(468)</u>	<u>(688)</u>
		<u>\$ (420)</u>	<u>\$ (468)</u>	<u>\$ (688)</u>
	Net impairment losses	<u>\$ 4,753</u>	<u>\$ 8,907</u>	<u>\$ 31,636</u>

31. Employee benefits expense (excluding retirement benefits)

		Year ended September 30		
		2013	2012	2011
	Salaries and wages benefits	\$ 1,443,415	\$ 1,255,710	\$ 1,163,272
	Allowances	185,782	350,134	547,789
	Overtime	319,608	304,225	247,392
	Other personnel costs	47,523	72,400	51,042
	Medical services	69,067	50,259	50,116
	Travel plan	26,571	39,759	17,728
	Voluntary Selective Separation Plan	1,735	1,013	4
	Housing aid	20,819	20,930	22,386
	Savings plan	33,128	28,325	26,134
	National Insurance	<u>49,205</u>	<u>41,325</u>	<u>39,066</u>
		<u>\$ 2,196,853</u>	<u>\$ 2,164,080</u>	<u>\$ 2,164,929</u>

32. Finance income and costs

	- Bank borrowings	\$ (667,312)	\$ (663,929)	\$ (1,278)
	- Finance charge on decommissioning costs (Note 24)	<u>(411,593)</u>	<u>(333,032)</u>	<u>(271,204)</u>
	Finance costs	\$ (1,078,905)	\$ (996,961)	\$ (272,482)
	Finance income:			
	- Interest on short-term investments	<u>2,257</u>	<u>1,889</u>	<u>819</u>
	Finance income and costs	<u>\$ (1,076,648)</u>	<u>\$ (995,072)</u>	<u>\$ (271,663)</u>

In the year ended 2013 September 30, the Company incurred interest on general borrowings of \$743,554 (2012: \$748,363; 2011: \$82,002), of which \$59,799 (2012: \$84,434; 2011: \$80,724) was capitalised. (See Notes 6 and 7).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

33. Tax

(a) Amounts recognised in profit or loss

	Year ended September 30		
	2013	2012 Restated	2011 Restated
Tax (benefit)/expense:			
Current tax	\$ 1,742,036	\$ 1,695,355	\$ 1,930,948
Deferred income tax	<u>(1,864,322)</u>	<u>(784,766)</u>	<u>403,467</u>
	<u>\$ (122,286)</u>	<u>\$ 910,589</u>	<u>\$ 2,334,415</u>

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

	Year ended September 30		
	2013	2012 Restated	2011 Restated
(Loss)/Profit before tax	<u>\$ (101,012)</u>	<u>\$ 1,854,009</u>	<u>\$ 4,598,671</u>
Tax calculated at a rate of 55%	\$55,558	\$ (1,019,705)	\$ (2,529,268)
- Expenses not deductible for tax purposes	(26,101)	(57,130)	(119,448)
- Income not subject to tax	80,738	24,965	--
- Effect of investment tax credit (uplift)	239,996	266,694	324,272
- Prior year tax adjustment	(9,042)	--	--
- R&M deferred taxes rate reduction	(135,621)	(59,835)	64,543
- Difference due to translation	(3,918)	37,538	43,323
- Under provision of prior year income taxes	<u>(79,324)</u>	<u>(103,116)</u>	<u>(117,837)</u>
	<u>\$ 122,286</u>	<u>\$ (910,589)</u>	<u>\$ (2,334,415)</u>

(b) Amounts recognised in Other comprehensive income:

Actuarial gains/(losses) on retirement benefit asset – pension benefits	331,000	(648,800)	438,700
Actuarial (losses)/gains on retirement benefit obligation – medical benefits	(134,200)	(441,400)	14,400
Income tax (expense)/benefit on actuarial gains/(losses)	<u>(105,628)</u>	<u>582,094</u>	<u>(238,871)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

34. Reclassification and restatement of prior year balances

The Company early adopted IAS 19 Employee benefits (as amended in 2011 June) in the year ended 2013 September 30. The standard was applied retrospectively in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as well as the transitional provisions set out in the amended standard. These restatements, in addition to others recorded are described below:

(i) Change in accounting policy due to early application of IAS 19 (Revised) Employee Benefits

The company early adopted IAS 19 Employee Benefits (Revised 2011) in the financial year ending 2013 September 30, and changed its basis for determining the income or expense related to defined benefit plans. As a result of the change, the Company now 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 net defined benefit liability (asset) at the beginning of the annual period. It takes into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability (asset) comprises:

- interest cost on the defined benefit obligation; and
- interest income on plan assets.

Previously, the Company determined interest income on plan assets based on their long-term rate of expected return.

Additionally, the Company will no longer be able to defer the recognition of actuarial gains and losses in retirement benefit plans. All unrecognised actuarial gains or losses for the Company's retirement benefit plans were brought onto the statement of financial position in the Company's financial statements for the year ended 2013 September 30 and the comparable statements as at 2012 and 2011 September 30 were restated. The impact of this restatement was to reduce the Company's retirement benefit asset by \$1,607,100 to increase the retirement benefit obligation by \$732,500, and to have a corresponding reduction in retained earnings of \$2,339,600.

(ii) Change in royalty rates applied on onshore crude oil production

The Petroleum (Royalties)(Onshore Crude Oil) Regulations, effective November 1998, caps royalty payable to the State under the Petroleum Act at 10%; thus, the stipulated rate of 12.5% in the core E&P Public Petroleum Rights Licences granted in October 2006 is unlawful. Petrotrin has paid monies to the Ministry of Energy and Energy Affairs ("MOEEA") in the bona fide mistaken belief that these sums constituted royalties payable to the State in accordance with the requirements of the Petroleum Act and regulations thereunder. With effect from the effective date of the New Onshore Land Licences the Company had been effecting payments at the increased rate of 12.5% and following External Counsel advice this error was corrected in the year ended 2013 September 30, and over-payments have been recorded as a receivable. Prior period balances have been restated to reflect this rate change and the Company is currently seeking reimbursement from the State for the excess amounts paid.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

34. Reclassification and restatement of prior year balances (continued)

(iii) *Amounts paid into Escrow account in the name of the Minister of Energy and Energy Affairs*

The new land licences agreements effective in the year 2006, contain a clause requiring Petrotrin to establish an escrow account at an approved financial institution in the name of the Minister. (See Note 17).

All amounts paid or accrued previously were expensed directly to the Statement of Comprehensive Income. This was corrected in the year ended 2013 September 30, with amounts transferred from the statement of Comprehensive Income to the Statement of financial position as a receivable. Prior year amounts have also been restated to reflect the terms of the license agreements.

(iv) *Deferred Income and Petroleum Profit Taxes*

Prior year deferred income taxes were recalculated in accordance with the early adoption of IAS 19, Employee Benefits (revised). Petroleum profit taxes were also recalculated in line with the revisions to profit outlined in items (ii) and (iii) above.

The table below summarises the restatements made in the Statement of financial position at 2012 September 30 and 2011 September 30 respectively:

	Before restatement	IAS 19 (R)	Restatements Amounts paid into escrow account	Effect of change in royalty rates	Tax impact of restatements	Restated
<i>As at 2012 September 30:</i>	\$	\$	\$	\$	\$	\$
Retirement benefit asset – pension benefits	1,833,400	(1,607,100)	--	--	--	226,300
Net deferred income tax asset	--	--	--	--	95,176	95,176
Cash in escrow - shareholder	--	--	71,949	--	--	71,949
Receivables and prepayments	10,275,376	--	--	438,285	--	10,713,661
Retained earnings	10,741,834	(2,339,600)	71,866	325,465	1,029,208	9,828,773
Currency translation differences	265,155	--	83	2,774	--	268,012
Net deferred income tax liabilities	1,154,134	--	--	--	(1,154,134)	--
Retirement benefit obligation – medical benefits	1,646,400	732,500	--	--	--	2,378,900
Trade and other payables	4,394,958	--	--	110,046	--	4,505,004
Current tax liabilities	6,391,500	--	--	--	220,102	6,611,602

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

34. Reclassification and restatement of prior year balances (continued)

	Before restatement	IAS 19 (R)	Restatements		Tax impact of restatements	Restated
			Amounts paid into escrow account	Effect of change in royalty rates		
<i>As at 2011 September 30:</i>	\$	\$	\$	\$	\$	\$
Retirement benefit asset – pension benefits	1,557,600	(664,800)	--	--	--	892,800
Cash in escrow - shareholder	--	--	59,766	--	--	59,766
Receivables and prepayments	8,006,878	--	--	322,032	--	8,328,910
Retained earnings	9,712,179	(966,400)	59,703	244,078	343,899	9,393,459
Currency translation differences	254,635	--	63	2,690	--	257,388
Net deferred income tax liabilities	1,784,176	--	--	--	(512,492)	1,271,684
Retirement benefit obligation – medical benefits	1,554,100	301,600	--	--	--	1,855,700
Trade and other payables	4,728,291	--	--	75,264	--	4,803,555
Current tax liabilities	2,681,139	--	--	--	168,593	2,849,732

The table below summarises the restatements made in the Statement of comprehensive income in the years ended 2012 September 30 and 2011 September 30 respectively:

	Before restatement	IAS 19 (R)	Restatements		Tax impact of restatements	Restated
			Amounts paid into escrow account	Effect of change in royalty rates		
<i>Year ended 2012 September 30:</i>	\$	\$	\$	\$	\$	\$
Cost of sales	(33,864,283)	--	--	93,635	--	(33,770,648)
Administrative expenses	(867,502)	(283,000)	--	--	--	(1,150,502)
Other operating expenses	(24,415)	--	--	(85)	--	(24,500)
Income tax expenses	(1,013,804)	--	--	--	103,215	(910,589)
Profit for the year	1,029,655	(283,000)	--	93,550	103,215	943,420
Other comprehensive income:						
Currency translation differences	10,520	--	20	84	--	10,624
Actuarial losses on defined benefit plans	--	(1,090,200)	--	--	--	(1,090,200)
Income tax expense on other comprehensive income	--	582,094	--	--	--	582,094
Other comprehensive income for the period, net of income tax	10,520	(508,106)	20	84	--	(497,482)
Total comprehensive income for the year	1,040,175	(791,106)	20	93,634	103,215	445,938

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

34. Reclassification and restatement of prior year balances (continued)

	Before restatement	IAS 19 (R)	Restatements			Restated
			Amounts paid into escrow account	Effect of change in royalty rates	Tax impact of restatements	
<i>Year ended 2011 September 30:</i>	\$	\$	\$	\$	\$	\$
Cost of sales	(30,845,818)	--	--	131,774	--	(30,714,044)
Administrative expenses	(1,292,557)	96,300	--	--	--	(1,196,257)
Other operating expenses	(66,957)	--	--	(2,690)	--	(69,647)
Income tax expense	(2,203,831)	--	--	--	(130,584)	(2,334,415)
Profit for the year	2,169,456	96,300	--	129,084	(130,584)	2,264,256
Other comprehensive income:						
Currency translation differences	171,823	--	63	2,690	--	174,576
Actuarial gains on defined benefit plans	--	453,100	--	--	--	453,100
Income tax expense on other comprehensive income	--	(238,871)	--	--	--	(238,871)
Other comprehensive income for the period, net of income tax	171,823	214,229	63	2,690	--	388,805
Total comprehensive income for the year	2,341,279	310,529	63	131,774	(130,584)	2,653,061

35. Contingent liabilities

(a) Housing loan guarantee

The Company has guaranteed mortgage-housing loans amounting to approximately \$8,076 (2012: \$9,468; 2011: \$10,991) made by various financial institutions to its employees participating in the housing aid scheme operated by the Company.

(b) Letter of credit

The Company has an outstanding letter of credit facility with a financial institution for \$133,257/US\$20,758 (2012: \$132,625/US\$20,664; 2011: \$131,556/US\$20,504) which expires on 2013 December 31. This credit facility was established to meet Petrotrin's 15% share of its abandonment liability with respect to its TSP Joint Venture.

(c) Litigation

Contractors' claims against the Company amounted to \$330 (2012: \$9,432; 2011: \$16,220).

There are a number of other legal claims against the Company amounting to \$29,316 (2012: \$11,134; 2011: \$12,748) 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 material impact on Company operations, financial position or liquidity.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

35. Contingent liabilities (continued)

(d) Customs bonds

Contingent liabilities in respect of custom bonds amounted to approximately \$3,208 (2012: \$5,908; 2011: \$5,459).

(e) Severance payments

The Company has several union agreements, which provide for severance payments on the retrenchment of any member who has one or more years of service. If and when such retrenchment occurs the Company shall negotiate with the union the amount of severance to be paid which will be in addition to any other benefits to which the employee may be entitled. No provision has been made for such a contingent liability in these financial statements.

(f) Financial support guarantee

Further to a letter of guarantee dated 1999 September 23, as the major shareholder in Trintomar with respect to abandonment liabilities, the Company has provided a guarantee of financial support in the event Trintomar cannot meet its normal operating commitment.

36. Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	As at September 30		
	2013	2012	2011
Property, plant and equipment	<u>\$ 786,348</u>	<u>\$ 875,674</u>	<u>\$ 885,362</u>

(b) Operating lease commitments – where the Company is the lessee

There were no operating lease commitments at 2013 September 30 (2012: \$nil; 2011: \$nil).

The lease expenditure charged to the profit or loss during the year is disclosed in Note 29.

(c) Sales commitments

The Company has entered into long-term sales contracts with a number of its customers. At the reporting date, these amounted to approximately \$6,578,128 (2012: \$4,888,442; 2011: \$8,144,316). This is for the delivery of contracted volumes. The selling price used to value the commitment is a formula based on Platt's reference price, which is then forecasted based on Petroleum Institute Research Associates forecasts. Sales price at the actual date of sale is based on the pricing formula referenced to the Platt's posting.

(d) Purchases commitments

Purchases commitments at 2013 September 30 amounted to \$nil (2012: \$490,230; 2011: \$134,130).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

37. Related party transactions

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

Most significant transactions concern:

- Sale of refined products to Trinidad and Tobago National Petroleum Marketing Company Limited.
- Purchase of natural gas from The National Gas Company of Trinidad and Tobago Limited.
- The exploration for and production of crude oil and natural gas through joint ventures.

The following is a description of trade and financing transactions with related parties:

Name of Company/Equity	As at 2013 September 30		
	Gross	Payables	Commitments
	receivables	\$	\$
	\$		
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	7,752,237	--
-Other	84	171,465	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	5,334,532	--	--
The National Gas Company of Trinidad and Tobago Limited	121	50,149	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	75,758	--	5,064
Point Fortin LNG Exports Limited	1,929	--	--
<u>Jointly controlled operations</u>			
Block 9 – Offshore	140,151	--	53,407
Central Block	29,491	41,294	19,035
Moruga West	--	1,020	--
Point Ligoure	59	10,520	1,299
South East Coast Consortium	68,413	78,326	4,674
South West Peninsula	--	213	--
Parrylands 'E' Block	--	1,777	--
Teak, Samaan, Poui (TSP)	69,936	--	52,544
Brighton Marine	965	--	--
Block 1a	280	65	915
Block 3a	3,006	--	--
Block 1b	--	105	210
Block 22	--	6,331	5,364
Galeota	1,192	--	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

37. Related party transactions (continued)

Name of Company/Equity	Year ended 2013 September 30			
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	4,516,856	--	--
- Other	--	358,192	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,176	--	7,047,303	9,249
The National Gas Company of Trinidad and Tobago Limited	310,405	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	14,943	--
<u>Joint ventures</u>				
	Operating expenses \$	Capital expenditure \$	Goods \$	Services \$
Block 9 – Offshore	67,823	185,172	365,449	--
Central Block	39,983	33,750	214,643	--
Moruga West	2,212	1,142	10,928	--
Point Ligoure	1,198	365	13,926	--
South East Coast Consortium	23,317	9,350	363,716	--
South West Peninsula	393	--	344	--
Parrylands 'E' Block	2,192	--	4,701	--
Eastern Block	--	--	--	--
Teak, Samaan, Poui (TSP)	128,764	61,032	474,397	--
Block 1a/1b	--	9,388	--	--
Block 22	--	36,252	--	--
Block 3A	--	2,846	--	--
Galeota	24,432	4,423	144,330	--
Central Range	--	(4,634)	--	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

37. Related party transactions (continued)

Name of Company/Equity	As at 2012 September 30 - Restated		
	Gross receivables \$	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	6,918,057	--
-Other	107	192,391	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	6,236,140	279	--
The National Gas Company of Trinidad and Tobago Limited	1,261	47,249	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	60,771	--	4,454
Point Fortin LNG Exports Limited	3,386	--	--
<u>Jointly controlled operations</u>			
Block 9 – Offshore	137,302	--	43,761
Central Block	10,788	50,506	39,401
Moruga West	--	1,011	--
Point Ligoure	59	16,140	601
South East Coast Consortium	65,614	89,055	3,577
South West Peninsula	--	220	--
Parrylands 'E' Block	--	4,077	--
Teak, Samaan, Poui (TSP)	91,060	--	58,061
Block 1a	--	135	1,500
Block 3a	3,006	--	--
Block 1b	--	84	750
Block 22	--	4,932	9,000
Central Range	--	--	500

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

37. Related party transactions (continued)

Name of Company/Equity	Year ended 2012 September 30 - Restated			
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	4,752,840	--	--
- Other	--	377,167	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	10,068	--	7,084,630	9,989
The National Gas Company of Trinidad and Tobago Limited	213,473	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	14,293	--
<u>Joint ventures</u>				
	Operating expenses \$	Capital expenditure \$	Goods \$	Services \$
Block 9 – Offshore	61,452	104,943	720,739	--
Central Block	35,422	91,758	124,502	--
Moruga West	2,495	--	12,158	--
Point Ligoure	1,831	177	19,553	--
South East Coast Consortium	20,726	13,843	398,112	--
South West Peninsula	364	--	374	--
Parrylands 'E' Block	1,160	--	4,292	--
Teak, Samaan, Poui (TSP)	97,396	66,669	488,771	--
Block 1a/1b	--	3,339	--	--
Block 2a/b	--	--	--	--
Block 22	--	24,950	--	--
Block 3A	--	3,020	--	--
Galeota	--	--	96,093	--
Central Range	--	4,653	--	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

37. Related party transactions (continued)

Name of Company/Equity	As at September 30, 2011 - Restated		
	Gross Receivables \$	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	2,849,732	--
-Other	106	295,329	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	4,522,487	1	--
The National Gas Company of Trinidad and Tobago Limited	300	24,670	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	46,423	--	6,878
Point Fortin LNG Exports Limited	5,419	--	--
<u>Jointly controlled operations</u>			
Block 9 – Offshore	68,999	--	18,315
Brighton Marine – Sub-Area A	988	--	--
Central Farm out Block	19,297	75,077	26,772
Moruga West	--	1,869	--
Pointe Ligoure	--	7,947	--
South East Coast Consortium	82,773	128,162	--
South West Peninsula	--	217	--
Parrylands 'E' Block	--	837	--
Teak, Samaan, Poui (TSP)	78,388	--	19,216
Block 1a	--	60	--
Block 1b	--	65	--
Block 22	--	2,587	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

37. Related party transactions (continued)

Name of Company/Equity	Year ended September 30, 2011 - Restated			
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	4,199,054	--	--
- Other	--	222,983	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	6,809	--	6,656,235	7,296
The National Gas Company of Trinidad and Tobago Limited	324,594	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	9,815	--
<u>Joint Ventures</u>				
	Operating expenses \$	Capital expenditure \$	Goods \$	Services \$
Block 9 – Offshore	49,233	43,470	639,660	--
Central Farm out Block	40,661	79,224	168,251	--
Moruga West	2,198	--	12,626	--
Pointe Ligoure	710	(578)	19,964	--
South East Coast Consortium	21,628	(612)	81,659	--
South West Peninsula	389	--	670	--
Parrylands 'E' Block	1,516	--	3,788	--
Teak, Samaan, Poui (TSP)	89,232	39,841	429,089	--
Block 1a/1b	--	3,554	--	--
Block 22	--	9,169	--	--
Block 3A	--	(400)	--	--
Mayaro/Guayaguayare Block	--	(2,550)	--	--
Galeota	--	--	72,754	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

37. Related party transactions (continued)

Compensation of key directors and management personnel:

Compensation of persons with responsibility for key positions in planning, direction and control functions of Petrotrin Company companies, including executive officers (key Management personnel) consist of the following:

	Year ended September 30		
	2013	2012	2011
Short-term employees benefits	\$ 8,833	\$ 5,991	\$ 6,154
Long-term employees benefits	671	472	583
	<u>\$ 9,504</u>	<u>\$ 6,463</u>	<u>\$ 6,737</u>

38. Interest in jointly controlled assets

The Company has a shared control in the following ventures:

	As at September 30		
	2013	2012	2011
	Effective	Effective	Effective
	Interest	Interest	Interest
Block 9 Unitisation – Offshore	19.50%	19.50%	19.50%
Central Block	35.00%	35.00%	35.00%
East Brighton Block	--	30.00%	30.00%
Moruga West	40.00%	40.00%	40.00%
Point Ligoure	--	50.00%	50.00%
Point Ligoure, Guapo Bay, Brighton Marine (PGB)	30.00%	--	
South East Coast Consortium	16.00%	16.00%	16.00%
South West Peninsula	27.50%	27.50%	27.50%
Parrylands 'E' Block	25.00%	25.00%	25.00%
Teak, Samaan, Poui (TSP)	15.00%	15.00%	15.00%
Block 1a	20.00%	20.00%	20.00%
Block 1b	20.00%	20.00%	20.00%
Block 22	10.00%	10.00%	10.00%
Block 3A	15.00%	15.00%	15.00%
Galeota	35.00%	35.00%	35.00%
Guayaguayare Shallow	35.00%	35.00%	35.00%
Guayaguayare Deep	20.00%	20.00%	20.00%
Central Range Deep	20.00%	20.00%	20.00%
Central Range Shallow	35.00%	35.00%	35.00%
Block 2ab	--	35.00%	35.00%
Mayaro/Guayaguayare	30.00%	30.00%	--
NCMA 2	20.00%	20.00%	--
NCMA 3	20.00%	20.00%	--
NCMA 4	20.00%	20.00%	--
Block 27 – Offshore	--	--	5.00%
Brighton Marine – Sub-Area A	--	--	35.00%
Eastern Block	--	--	35.00%

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

38. Interest in jointly controlled assets (continued)

These joint ventures 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 amounts represent the Company's share of the assets and liabilities and revenue and expenses of these jointly controlled operations and are included in the Company's statement of financial position and comprehensive income:

	As at September 30		
	2013	2012	2011
Assets			
Property, plant and equipment	\$ 1,768,559	\$ 1,902,216	\$ 1,941,749
Other long-term assets	1	1	1
Current assets	<u>315,421</u>	<u>311,215</u>	<u>255,863</u>
	2,083,981	2,213,432	2,197,613
Liabilities			
Trade and other payables	<u>(139,651)</u>	<u>(166,161)</u>	<u>(216,822)</u>
	<u>1,944,330</u>	<u>2,047,271</u>	<u>1,980,791</u>
Revenue			
	<u>1,293,407</u>	<u>1,607,962</u>	<u>1,671,654</u>
Profit before tax	479,771	738,928	827,990
Tax	<u>(252,309)</u>	<u>(428,894)</u>	<u>(530,412)</u>
Profit for the year	<u>\$ 227,462</u>	<u>\$ 310,034</u>	<u>\$ 297,578</u>

Capital commitments for the various joint ventures are \$142,512 (2012: \$161,605; 2011: \$71,181). There are no contingencies related to the Company's interest in the joint ventures. No disclosure of amounts relating to the completion of the Gas-to-Liquids Plant has been included as work has temporarily ceased. These commitments related solely to expenditure for which vendors have been contracted.

The average number of employees in the joint ventures in 2013 was *123 (2012: *123; 2011: *123).

* Number of employees quoted above are not in thousands.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

39. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Note	Year ended September 30		
		2013	2012 Restated	2011 Restated
Operating activities				
Profit before tax from continuing operations		\$ (101,012)	\$ 1,854,009	\$ 4,598,671
Adjustments for:				
Amortisation of intangible assets	7	1,267,261	861,103	759,320
Utilisation of decommissioning provision	24	(2,774)	(2,148)	(6,484)
Depreciation	6	912,642	619,683	558,416
Impairment losses related to investments		5,173	9,375	32,324
Reversal of previous impairment losses		(420)	(468)	(688)
Reversal of previous impairment losses on disbursements to subsidiary		--	(45,391)	--
Foreign currency translation (gain)/loss		5,248	(22,581)	57,386
Finance costs	32	1,078,905	996,961	272,482
Finance income	32	(2,257)	(1,889)	(819)
Loss on disposal of property, plant and equipment and intangible assets	29	5,780	3,143	1,246
Net pension cost	10	244,700	154,800	168,300
Net benefit cost	10	182,900	157,900	153,700
Taxes other than income taxes		1,795,433	2,068,344	2,271,812
Pension contributions paid	10	(163,400)	(137,100)	(133,500)
Post-employment medical benefits paid	10	(91,500)	(76,100)	(69,300)
Changes in working capital:				
Decrease/(Increase) in accounts receivable		345,354	(2,408,512)	(3,329,948)
Decrease/(Increase) in inventories		623,755	(1,088,257)	(426,930)
(Decrease)/Increase in other liabilities		<u>(108,106)</u>	<u>(246,257)</u>	<u>566,965</u>
Cash generated from operations		<u>\$ 5,997,682</u>	<u>\$ 2,696,615</u>	<u>\$ 5,472,953</u>

In the cash flow statement, proceeds from sales of property, plant and equipment and intangible assets comprise:

	Year ended September 30		
	2013	2012	2011
Net book value(Notes 6 and 7)	\$ 5,814	\$ 3,433	\$ 1,468
Loss on disposal (Note 29)	<u>(5,780)</u>	<u>(3,143)</u>	<u>(1,246)</u>
Proceeds from sales	<u>\$ 34</u>	<u>\$ 290</u>	<u>\$ 222</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

40. Subsequent events

(a) Contingent liabilities - Letter of credit

The Company has an outstanding letter of credit facility with a financial institution for \$133,257/US\$20,758 (2012: \$132,625/US\$20,664; 2011: \$131,556/US\$20,504) which expires on 2013 December 31. This credit facility was established to meet Petrotrin's 15% share of its abandonment liability with respect to its TSP Joint Venture.

(b) Loans receivable from World GTL Inc.

Pursuant to the Guarantee Contribution Agreement of 2007 January 12, relating to World GTL Trinidad Limited's ("WGTL Trinidad") Gas-to-Liquid project (the "GTL Project"), Petrotrin funded cost overruns which were required to be borne by World GTL Inc.

On 2010 February 23, apparently in response to Petrotrin's appointment of the Receiver as described in section 37(c) below, World GTL Inc. and World GTL of St. Lucia Ltd. (the "WGTL Parties") filed a complaint against Petrotrin in the US District Court for the Southern District of New York ("SDNY") (the "WGTL Lawsuit"). The complaint arises out of the GTL Project and alleges fraud, negligent misrepresentation, breach of contract, unjust enrichment, negligence and expropriation, and seeks damages of at least US\$2.0 billion (TT\$12.7 billion). On 2010 June 08, Petrotrin filed a motion to compel arbitration of all claims asserted by WGTL Parties in the WGTL Lawsuit and to stay this lawsuit. On 2010 August 11, Judge Lawrence McKenna of the SDNY granted Petrotrin's motion and issued an order staying the WGTL Lawsuit and compelling the WGTL Parties to bring any such claims before the London Court of International Arbitration (the "LCIA"). On 2010 August 25, the WGTL Parties filed a motion for reconsideration of Judge McKenna's 2010 August 11 order. Judge McKenna denied the motion for reconsideration on 2010 October 22. On 2010 September 08, the WGTL Parties also filed a notice of their intent to appeal Judge McKenna's 2010 August 11, order to the United States Court of Appeals for the Second Circuit. On 2010 October 26, the WGTL Parties withdrew their appeal without prejudice.

On 2010 February 24, Petrotrin commenced arbitration against the WGTL Parties in the International Court of Arbitration of the International Chamber of Commerce (the "ICC") seeking an adjustment of Petrotrin's equity interest in WGTL Trinidad as required by the Guarantee Contribution Agreement, as well as damages.

On 2011 March 16, Petrotrin submitted its particularised Statement of Claim to the ICC. On 2011 August 24, the WGTL Parties filed their Statement of Defence, as well as an application for leave to assert a counterclaim against Petrotrin. The arbitral tribunal denied the WGTL Parties' application on 2011 October 05. Petrotrin filed its Statement of Reply on 2012 February 27, and the WGTL Parties filed their Rejoinder on 2012 April 16. The hearing on the merits took place on 2012 May 08 and 09. An award has not yet been issued, and it is not possible to assess the likelihood of success on the merits.

On 2012 November 29, the Final Award was issued by the ICC Tribunal which declared that the WGTL Parties breached their obligations under the GCA and ordered the WGTL Parties to transfer 9,398,211 common shares of WGTL Trinidad to Petrotrin. The Tribunal also ordered the WGTL Parties to transfer additional common shares of WGTL Trinidad to Petrotrin as compensation for accrued interest, and further ordered the WGTL Parties to pay the majority of Petrotrin's legal fees and expenses in the arbitration.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

40. Subsequent events (continued)

(b) Loans receivable from World GTL Inc. (continued)

On 2013 March 01, the WGTL parties sent to counsel for Petrotrin a Notice of Application for an order setting aside the portion of the ICC Tribunal's Final Award ordering the WGTL Parties to pay Petrotrin's costs, which was filed in the Superior Court of Justice (Ontario). Petrotrin has engaged attorneys to defend the said application. To date Petrotrin has not been served with the Application Record.

On 2011 November 04, the WGTL Parties filed a request for arbitration (the "RFA") against Petrotrin in the LCIA. The RFA arises out of the GTL Project and alleges breach of implied contractual terms, breach of fiduciary duty, and deceit. The RFA also seeks unspecified damages. Petrotrin filed its Response to the RFA on 2011 December 5. The WGTL Parties filed their Statement of Claim on 2012 March 23, in which they allege breach of fiduciary duty and repudiatory breach of the Project Agreement and seek damages of US\$211.1 million or US\$227 million, depending on the interest rate applied by the arbitral tribunal.

Petrotrin filed its Statement of Defense on 2012 July 02, the WGTL Parties filed their Statement of Reply on 2012 October 26, and Petrotrin filed its Rejoinder on 2012 December 21. The hearing on the merits was adjourned at the request of the WGTL Parties to 2013 September 30 to 2013 October 04. The hearing was held as scheduled. Petrotrin vigorously defended against the claims of the WGTL Parties. The LCIA issued its judgment on 2014 April 24 dismissing all of the claims made by the WGTL Parties and ordering them (1) to bear the costs of the arbitration and (2) to pay Petrotrin for its legal costs.

(c) Sale of assets of WGTL Trinidad Limited

On 2009 September 25, Petrotrin appointed Brian Hackett of Pricewaterhouse Coopers Ltd as the receiver (the "Receiver") of World GTL Trinidad Limited ("WGTL Trinidad") following WGTL Trinidad's default on a loan from Petrotrin to WGTL Trinidad. Petrotrin appointed the Receiver in its role as a secured lender of WGTL Trinidad and pursuant to the terms of a mortgage debenture between WGTL Trinidad and Credit Suisse, which Credit Suisse assigned to Petrotrin in 2009 July.

On 2011 February 01, the Receiver published a notice (the "Notice") in local and foreign newspapers advertising the sale of an unfinished Gas-to-Liquids ("GTL") Plant and other assets of WGTL Trinidad. The Notice states that the GTL Plant "is now in the completion phase with significant construction completed" and that the GTL Plant and other related assets are being sold "on an as is where is basis" (emphasis in original), with the purchaser being responsible for the payment of all outstanding rates and taxes. The sale is also contingent upon the purchaser obtaining certification from the Trinidad and Tobago Ministry of Energy and Energy Affairs. The Notice further states that "the Receiver is under no obligation to accept any of the offers received."

Expressions of interest were received from several companies, both local and international.

The proceeds of any commercial arrangement will be used to repay WGTL Trinidad's current indebtedness to Petrotrin.

Petroleum Company of Trinidad and Tobago Limited

Consolidated Financial Statements

2013 September 30

(Presented in Thousands of Trinidad and Tobago Dollars)

Petroleum Company of Trinidad and Tobago Limited

Note		Page
	Independent auditor's report	1
	Consolidated statement of financial position	2
	Consolidated statement of comprehensive income	3
	Consolidated statement of changes in equity	4
	Consolidated statement of cash flows	5
	Notes to the consolidated financial statements:	6-84
1	Reporting entity	6
2	Basis of preparation	7
3	Summary of significant accounting policies:	8-22
3.1	Accounting standards and interpretations	8-9
3.2	Basis of consolidation	9-11
3.3	Property, plant and equipment and certain intangible assets	11-15
3.4	Intangible assets	16
3.5	Impairment of non-financial assets (excluding exploration and evaluation, development and production assets)	17
3.6	Financial assets	17-18
3.7	Inventories	18
3.8	Trade receivables	19
3.9	Cash and cash equivalents	19
3.10	Share capital	219
3.11	Trade and other payables	19
3.12	Borrowings	19
3.13	Current and deferred income tax	20
3.14	Employee benefits	20-21
3.15	Revenue recognition	21-22
3.16	Leases	22
3.17	Dividend distribution	22
4	Financial risk management	22-30
4.1	Financial risk factors	22-30
4.2	Capital risk management	30
4.3	Fair value estimation	31
5	Critical accounting estimates and judgments	31-34
6	Property, plant and equipment	35-37
7	Intangible assets	38-39
8	Impairment of fixed assets	40-41

Note		Page
9	Other costs related to exploration for and evaluation of oil and natural gas resources	41
10	Retirement benefit asset/(obligation)	42-49
11	Cash in escrow	50
12	Available-for-sale financial instruments	50
13	Investment in jointly controlled entity	50
14	Net deferred income tax assets/ (liabilities)	51-52
15	Income taxes recoverable	53
16	Cash in escrow – shareholder	53
17	Loans receivable	54-55
18	Inventories	55
19	Receivables and prepayments	56
20	Cash and cash equivalents	56
22	Share capital	57
22	Borrowings	57-60
23	Provisions	61
24	Trade and other payables	62
25	Short-term loans	62
26	Revenue	63
27	Other operating income	63
28	Operating costs by nature	64-66
29	Impairment losses	67
30	Employee benefits expense (excluding retirement benefits)	67
31	Finance income and costs	67
32	Tax	68
33	Reclassification and restatement of prior year balances	69-71
34	Contingent liabilities	72-73
35	Commitments	73
36	Related party transactions	74-80
37	Interest in jointly controlled assets	80-81
38	Cash generated from operations	82
39	Subsequent events	83-84



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**Independent Auditors' Report to the Shareholders of
Petroleum Company of Trinidad and Tobago Limited**

We have audited the accompanying consolidated financial statements of Petroleum Company of Trinidad and Tobago Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at September 30, 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

May 27, 2014
Port of Spain
Trinidad and Tobago

Petroleum Company of Trinidad and Tobago Limited
Consolidated Statement of Financial Position
(Presented in Thousands of Trinidad and Tobago Dollars)

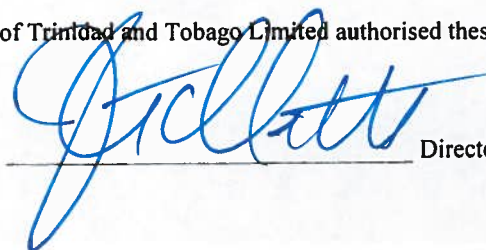
	Note	As at September 30		
		2013	2012 Restated	2011 Restated
ASSETS:				
Non-current assets				
Property, plant and equipment	6	\$ 19,777,401	\$ 19,257,471	\$ 18,342,716
Intangible assets	7	6,262,322	7,962,265	5,343,664
Retirement benefit asset – pension benefits	10	476,000	226,300	892,800
Available-for-sale financial instruments	12	6,236	6,185	5,695
Investment in jointly controlled entity	13	1	1	1
Net deferred income tax assets	14	1,866,668	98,683	--
Income taxes recoverable	15	530,683	530,683	530,683
Cash in escrow – shareholder	16	84,839	71,949	59,766
Loans receivable	17	677	1,509	2,917
		<u>29,004,827</u>	<u>28,155,046</u>	<u>25,178,242</u>
Current assets				
Inventories	18	4,392,333	5,013,508	3,925,774
Loans receivable	17	1,252	1,877	2,502
Receivables and prepayments	19	10,370,626	10,722,757	8,317,027
Cash in escrow	11	--	--	116,203
Cash and cash equivalents	20	2,296,031	1,879,549	2,638,471
		<u>17,060,242</u>	<u>17,617,691</u>	<u>14,999,977</u>
Total assets		<u>\$ 46,065,069</u>	<u>\$ 45,772,737</u>	<u>\$ 40,178,219</u>
EQUITY AND LIABILITIES:				
Capital and reserves attributable to equity holders of the Company				
Share capital	21	2,272,274	2,272,274	2,272,274
Retained earnings		10,031,042	9,922,922	9,512,290
Currency translation differences		240,204	240,388	234,384
		<u>12,543,520</u>	<u>12,435,584</u>	<u>12,018,948</u>
Non-controlling interests		<u>(47,872)</u>	<u>(46,625)</u>	<u>(51,801)</u>
Total equity		<u>12,495,648</u>	<u>12,388,959</u>	<u>11,967,147</u>
Liabilities				
Non-current liabilities				
Borrowings	22	8,580,512	8,967,105	9,352,488
Net deferred income tax liabilities	14	--	--	1,270,247
Retirement benefit obligation – medical benefits	10	2,604,500	2,378,900	1,855,700
Provisions	23	5,685,073	6,754,033	3,829,995
		<u>16,870,085</u>	<u>18,100,038</u>	<u>16,308,430</u>
Current liabilities				
Trade and other payables	24	4,798,238	4,506,459	4,806,712
Current tax liabilities		7,449,362	6,612,755	2,860,234
Current portion of long-term borrowings	22	458,016	457,440	784,998
Short-term loans	25	3,979,968	3,688,914	3,431,191
Provisions	23	13,752	18,172	19,507
		<u>16,699,336</u>	<u>15,283,740</u>	<u>11,902,642</u>
Total liabilities		<u>33,569,421</u>	<u>33,383,778</u>	<u>28,211,072</u>
Total equity and liabilities		<u>\$ 46,065,069</u>	<u>\$ 45,772,737</u>	<u>\$ 40,178,219</u>

The notes on pages 6 to 84 are an integral part of these consolidated financial statements.

On 2014 May 27, the Board of Directors of Petroleum Company of Trinidad and Tobago Limited authorised these consolidated financial statements for issue.



Director



Director

Petroleum Company of Trinidad and Tobago Limited
Consolidated Statement of Comprehensive Income
(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	Year ended September 30		
		2013	2012 Restated	2011 Restated
Revenue	26	\$ 31,911,405	\$ 37,639,525	\$ 36,909,975
Cost of sales	28	<u>(29,933,141)</u>	<u>(33,785,492)</u>	<u>(30,702,054)</u>
Gross profit		1,978,264	3,854,033	6,207,921
Administrative expenses	28	(1,234,208)	(1,152,102)	(1,197,108)
Marketing expenses	28	(54,339)	(118,147)	(118,330)
Other operating expenses	28	(20,854)	(24,363)	(69,530)
Impairment losses	29	(4,579)	(8,560)	(31,571)
Other operating income	27	<u>303,444</u>	<u>315,051</u>	<u>190,381</u>
Results from operating activities		967,728	2,865,912	4,981,763
Finance income	31	2,410	1,783	989
Finance costs	31	<u>(1,078,950)</u>	<u>(997,656)</u>	<u>(273,056)</u>
Net finance costs	31	<u>(1,076,540)</u>	<u>(995,873)</u>	<u>(272,067)</u>
(Loss)/Profit before tax		(108,812)	1,870,039	4,709,696
Income tax benefit/(expense)	32	<u>124,517</u>	<u>(946,359)</u>	<u>(2,389,507)</u>
Profit for the year		<u>\$ 15,705</u>	<u>\$ 923,680</u>	<u>\$ 2,320,189</u>
Other comprehensive income:				
Items that will never be reclassified to profit or loss:				
Currency translation differences		(188)	6,238	177,946
Actuarial gains/(losses) on retirement benefit asset – pension benefits	10	331,000	(648,800)	438,700
Actuarial (losses)/gains on retirement benefit obligation – medical benefits	10	(134,200)	(441,400)	14,400
Income tax (expense)/benefit on other comprehensive income	32	<u>(105,628)</u>	<u>582,094</u>	<u>(238,871)</u>
Other comprehensive income/(loss) for the period, net of income tax		<u>90,984</u>	<u>(501,868)</u>	<u>392,175</u>
Total comprehensive income for the year		<u>\$ 106,689</u>	<u>\$ 421,812</u>	<u>\$ 2,712,364</u>
Profit attributable to:				
Equity holders of the Company		16,948	918,738	2,309,154
Non-controlling interests		<u>(1,243)</u>	<u>4,942</u>	<u>11,035</u>
		<u>\$ 15,705</u>	<u>\$ 923,680</u>	<u>\$ 2,320,189</u>
Total comprehensive income attributable to:				
Equity holders of the Company		107,936	416,636	2,698,643
Non-controlling interests		<u>(1,247)</u>	<u>5,176</u>	<u>13,721</u>
		<u>\$ 106,689</u>	<u>\$ 421,812</u>	<u>\$ 2,712,364</u>

The notes on pages 6 to 84 are an integral part of these consolidated financial statements.

Petroleum Company of Trinidad and Tobago Limited
2013 September 30
Consolidated Statement of Changes in Equity
(Presented in Thousands of Trinidad and Tobago Dollars)

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Currency translation differences	Retained earnings	Total		
	\$	\$	\$	\$		
Restated balance at 2012 September 30	2,272,274	240,388	9,922,922	12,435,584	(46,625)	12,388,959
Profit for the period	--	--	16,948	16,948	(1,243)	15,705
Other comprehensive income:						
Currency translation differences	--	(184)	--	(184)	(4)	(188)
Actuarial gains/(losses) on defined benefit asset	--	--	331,000	331,000	--	331,000
Actuarial gains/(losses) on defined benefit obligation	--	--	(134,200)	(134,200)	--	(134,200)
Petroleum Profit and deferred income taxes	--	--	(105,628)	(105,628)	--	(105,628)
Total other comprehensive income	--	(184)	91,172	90,988	(4)	90,984
Total comprehensive income for the period	--	(184)	108,120	107,936	(1,247)	106,689
Balance at 2013 September 30	2,272,274	240,204	10,031,042	12,543,520	(47,872)	12,495,648
Balance at 2011 September 30, as previously reported	2,272,274	231,631	9,831,010	12,334,915	(51,801)	12,283,114
Impact of changes in accounting policies (Note 33)	--	2,753	(318,720)	(315,967)	--	(315,967)
Restated balance at 2011 September 30	2,272,274	234,384	9,512,290	12,018,948	(51,801)	11,967,147
Profit for the period (restated)	--	--	918,738	918,738	4,942	923,680
Other comprehensive income (restated):						
Currency translation differences	--	6,004	--	6,004	234	6,238
Actuarial gains/(losses) on defined benefit asset	--	--	(648,800)	(648,800)	--	(648,800)
Actuarial gains/(losses) on defined benefit obligation	--	--	(441,400)	(441,400)	--	(441,400)
Petroleum Profit and deferred income taxes	--	--	582,094	582,094	--	582,094
Total other comprehensive income	--	6,004	(508,106)	(502,102)	234	(501,868)
Total comprehensive income for the period (restated)	--	6,004	410,632	416,636	5,176	421,812
Restated balance at 2012 September 30	2,272,274	240,388	9,922,922	12,435,584	(46,625)	12,388,959

The notes on pages 6 to 84 are an integral part of these consolidated financial statements.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Consolidated Statement of Cash Flows

(Presented in Thousands of Trinidad and Tobago dollars)

	Note	Year ended September 30		
		2013	2012	2011
Cash flows from operating activities:				
Cash generated from operations	38	\$ 6,028,880	\$ 2,787,348	\$ 5,658,577
Tax paid		<u>(2,709,688)</u>	<u>(63,675)</u>	<u>(2,325,583)</u>
Net cash generated from operating activities		<u>3,319,192</u>	<u>2,723,673</u>	<u>3,332,994</u>
Cash flows from investing activities:				
Purchases of property, plant and equipment and intangible assets		(1,787,791)	(2,102,781)	(3,118,959)
Proceeds from sale of property, plant and equipment and intangible assets	38	34	290	222
Amounts deposited to shareholder escrow account		(59,703)	--	--
Recovery of amounts previously held in escrow		--	116,112	--
Investments available-for-sale		124	(142)	--
Recoveries on loans to related parties		1,877	2,500	1,249
Disbursements of loans to related parties		(5,173)	(9,375)	(32,324)
Interest received		<u>2,396</u>	<u>2,048</u>	<u>3,018</u>
Net cash used in investing activities		<u>(1,848,236)</u>	<u>(1,991,348)</u>	<u>(3,146,794)</u>
Cash flows from financing activities:				
Proceeds from short-term loans		9,520,265	10,139,288	8,184,208
Repayments of short-term loans		(9,226,854)	(9,880,396)	(6,736,239)
Repayments of long-term borrowings		(391,281)	(714,549)	(499,373)
Interest paid		<u>(961,891)</u>	<u>(1,040,621)</u>	<u>(1,017,291)</u>
Net cash used in financing activities		<u>(1,059,761)</u>	<u>(1,496,278)</u>	<u>(68,695)</u>
Currency translation differences relating to cash and cash equivalents		<u>5,287</u>	<u>5,031</u>	<u>91,345</u>
Increase/(Decrease) in cash and cash equivalents		416,482	(758,922)	208,850
Cash and cash equivalents at start of year		<u>1,879,549</u>	<u>2,638,471</u>	<u>2,429,621</u>
Cash and cash equivalents at end of year	20	<u>\$ 2,296,031</u>	<u>\$ 1,879,549</u>	<u>\$ 2,638,471</u>

The notes on pages 6 to 84 are an integral part of these consolidated financial statements.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

1 Reporting entity

Petroleum Company of Trinidad and Tobago Limited (PETROTRIN) is incorporated in the Republic of Trinidad and Tobago. The Group is primarily engaged in integrated petroleum operations which include the exploration for, development and production of hydrocarbons and the manufacturing and marketing of petroleum products. The sole shareholder is the Government of the Republic of Trinidad and Tobago (GORTT). The registered office is the Administration Building, Pointe-a-Pierre, Trinidad and Tobago, West Indies.

The consolidated financial statements of the Group as at and for the year ended 2013 September 30 comprise PETROTRIN and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities.

The following subsidiaries have been consolidated:

Name of Company	Country of Incorporation	Proportion of Issued Equity Capital held
Trintomar	Trinidad and Tobago	80%

Trinidad and Tobago Marine Petroleum Company Limited (Trintomar) is principally engaged in developing and producing natural gas from the Pelican Field which originally formed part of the South East Coast Consortium area.

Trinmar	Trinidad and Tobago	100%
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Trinmar Limited operated certain concessions in accordance with a Marine Operating Agreement dated August 1, 1960. This company is now dormant.

TNA	United Kingdom	100 %
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Trinidad Northern Areas Limited (TNA) was formed for the specific purpose of holding certain licenses. These licenses assign certain rights to explore for, drill, develop, produce and take oil, natural gas and other hydrocarbons from certain geological areas within the jurisdiction of Trinidad and Tobago.

PEAPSL	Trinidad and Tobago	100 %
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Petrotrin EAP Services Limited (PEAPSL) provides counselling services for employees and third parties.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and effective for the year ended 2013 September 30.

The accounting policies that follow have been consistently applied to all years presented. Where retrospective restatements were required as a result of the implementation of new accounting standards or changes to existing accounting standards, these have been applied to all comparative years presented.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the defined benefit asset which is recognised at the net total of the plan assets, less the present value of the defined benefit obligation and the effect of the asset ceiling test.

(c) Foreign currency translation

• Functional and presentation currency

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

• 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 Group 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 that statement of financial position;
- 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.

(d) Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Petroleum Company of Trinidad and Tobago Limited
2013 September 30
Notes to the Consolidated Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods in the financial statements and are set out below. Certain comparative amounts have been reclassified to conform to the current year's presentation.

3.1 Accounting standards and interpretations

(a) New standards, amendments and interpretation adopted

Several standards and interpretations were adopted in the year which had no significant impact on the financial statements. Most of these new standards required enhanced disclosures.

(b) New standard not yet effective but early adopted

IAS 19 – Employee Benefits (amended 2011), effective 2013 January 01

The Group early adopted IAS 19, Employee Benefits in the year ended 2013 September 30. As a result, *all* actuarial gains and losses were recognised in other comprehensive income and excluded permanently from profit or loss. Previously, the Group applied the corridor approach, and gains/losses were deferred from profit or loss if the net cumulative unrecognised value of the gains/losses did not exceed the 10% corridor.

Expected returns have also been replaced by recording interest income in profit or loss, which is calculated using the discount rate used to measure the pension obligation. Certain changes to presentation as well as more extensive disclosures have also been introduced. (See notes 10 and 33 (i)).

(c) New standards, amendments and interpretations issued but not early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 2013 January 01, and have not been applied in preparing these financial statements. Those which are relevant to Group operations are examined below. The Group does not intend to early adopt these standards.

- IFRS 9 – Financial instruments (2010 and 2009), *effective 2015 January 01* is part of the IASB's plan to replace IAS 39 – Financial instruments: recognition and measurement. IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under this standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.
- IFRS 10 – Consolidated Financial Statements; IFRS 11 – Joint Arrangements; IFRS 12 – Disclosure of Interests in Other Entities, and amendments to IAS 27 – Consolidated and Separate Financial Statements (renamed: IAS 27 - Separate Financial Statements) and IAS 28 – Investments in Associates (renamed: IAS 28 – Investments in Associates and Joint Ventures), *effective 2013 January 01*.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.1 Accounting standards and interpretations

(c) New standards, amendments and interpretations issued but not early adopted (continued)

IFRS 10 changes whether an entity should be consolidated, through an amended definition of control; it does not change consolidation procedures. Control exists when an investor is exposed to or has rights to variable returns from its involvement with the investee, and, has the ability to affect those returns, through its power over the investee. This control model also requires identification of how decisions affecting 'relevant activities' are made.

- IFRS 11 was issued to replace IAS 31- Interest in Joint Ventures. Under this standard, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of arrangement, and therefore subsequent accounting. These joint arrangements may be classified as joint operations, whereby the parties with joint control have rights to assets, and obligations for liabilities relating to the arrangement; and joint ventures whereby parties have rights to the net assets of the arrangement. Joint operations are treated similar to jointly controlled assets/operations under IAS 31. However, joint ventures can now only be accounted for using the equity method.
- IFRS 12 introduces a range of new and expanded disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

Management has reviewed these standards and amendments, and except for additional disclosures, these are not expected to affect the financial position or performance of the Group.

- IFRS 13 – Fair Value Measurement (2011), *effective 2013 January 01* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Management is currently reviewing its methodologies in determining fair values.

3.2 Basis of consolidation

In these consolidated financial statements, subsidiary undertakings – which are those companies in which the Group, directly or indirectly, has an interest of more than half the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The investments in jointly controlled entities are accounted for using the equity method, and are recognised initially at cost.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. (See Note 3.4 (a) for the accounting policy on goodwill)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Inter-company unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been conformed where necessary to ensure consistency to the policies adopted by the Group.

(b) Jointly controlled assets

Petrotrin will from time to time acquire interest in joint ventures to diversify both its Exploration and Production and Refining and Marketing operations. The acquisition of joint ventures represents the spreading of risk, taking advantage of private party experience, access to improved technology and capital resources, the opportunity to grow our reserves and assets and access to feedstock and or product markets. In other instances, as the State-owned oil company, there may be an obligatory State participation or the acquisition may be as a result of regulatory requirements, for example where reservoirs straddle boundaries.

In the case of jointly controlled assets, an operating committee is established to provide overall direction and supervision. The voting rights are normally negotiated items. In some instances, the parties tend to have a vote based on the participating interest of the party. In other instances, there are some items, which are critical to the operations and require unanimous agreement.

The Group's interest in jointly controlled assets is accounted for by proportionate consolidation. The Group combines its share of such joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Unitizations are accounted for in a similar manner to that of the jointly controlled assets.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

(c) Jointly controlled entity

A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the Group jointly controls with its fellow venturer(s).

The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in a jointly controlled entity is carried in the statement of financial position at cost, plus post-acquisition changes in the Group's share of the net assets in the jointly controlled entity, less distributions received and less any impairment in value of the investment. When the Group's share of losses exceeds its interest in the jointly controlled entity, the carrying amount of that interest is reduced to nil. The Group profit or loss reflects the Group's share of the results after tax of the jointly controlled entity.

Financial statements of jointly controlled entities are prepared for the same reporting year as the Group. Where necessary, adjustments are made to those financial statements to bring the accounting policies used in line with those of the Group.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group assesses at each reporting date whether an investment in a jointly controlled entity is impaired. If there is objective evidence that an impairment loss has been incurred, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs to sell and value-in-use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

(d) Non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in profit or loss. Purchases of non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired at the carrying value of net assets of the subsidiary.

3.3 Property, plant and equipment and certain intangible assets

(a) Oil and gas assets

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

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment and certain intangible assets (continued)

(a) Oil and gas assets (continued)

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 include:

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

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

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

Exploration and evaluation assets - Impairment

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

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

- the period for which the Group 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 Group 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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment and certain intangible assets (continued)

(a) Oil and gas assets (continued)

Development tangible and intangible assets- Capitalisation

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the purchase method. (See Note 3.2 for accounting policy).

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.

See Note 3.12 for the accounting policy related to borrowing costs.

Development/Production tangible and intangible assets – Impairment

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels (its cash generating unit) for which there are separately identifiable cash flows. 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.

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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment and certain intangible assets (continued)

(a) Oil and gas assets (continued)

Production assets – Depreciation (continued)

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

Provision for decommissioning costs

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

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

(b) Refining and other non-oil and gas assets

All other property, plant and equipment are stated at historical cost less accumulated depreciation and less accumulated impairment losses. Intangible costs capitalised within the refinery generally includes external consulting costs incurred in the upgrading of the refinery processes, management systems and implementation of new and upgraded technology.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Refinery spares inventory is allocated to refining. Repairs and maintenance, except for major overhaul costs (See Note 3.3 (c)) are charged to profit or loss during the financial period in which they are incurred.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment and certain intangible assets (continued)

(b) Refining and other non-oil and Gas assets (continued)

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

Manufacturing plant and equipment	3.75% to 10%	- straight-line
Refinery spares	5%	- straight-line
Floating property	20%	- diminishing balance
Transportation equipment	20%	- diminishing balance
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
Other supporting equipment and facilities	27.5%	- in the first year and 7.5% on a diminishing balance for subsequent years

The expected useful lives of plant, property 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 when no future economic benefits are expected to arise from continued use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

See Note 3.12 for the accounting policy related to borrowing costs.

(c) Major overhaul costs

Major overhaul costs include catalyst costs and expenditure incurred in testing and inspection work carried out on manufacturing plant and equipment. These costs are incurred at regular intervals over the useful life of the asset and are incurred to allow the continued use of the asset. These costs are accounted for as a component of the asset. Costs less residual value are written off over a period of 3-5 years on a straight-line basis.

When the carrying amount of major overhaul costs is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.4 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries and joint ventures (excluding jointly controlled entities), is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Previously recognised impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer 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 Group 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 the software development employee cost and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Other intangible assets

This comprises intangible costs associated with tangible PP&E structures. Refer to Note 3.3 (a).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.5 Impairment of non-financial assets (excluding exploration and evaluation, development and production assets)

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

3.6 Financial assets

3.6.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables are classified as loans receivable and trade and other receivables in the statement of financial position.

(b) Available-for-sale financial instruments

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.

3.6.2 Recognition and measurement

Loans and receivables as well as available-for-sale financial instruments are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses, while available-for-sale financial instruments are recorded at cost less impairment.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Translation differences on monetary financial assets and liabilities are recognised in profit or loss.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.2 Recognition and measurement (continued)

The Group 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 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 – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed. Impairment testing of trade receivables is described in Note 3.8.

3.7 Inventories

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

(a) Crude oil

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

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

(b) Refined products

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

The total product cost is comprised of the production cost of own crude, the cost of purchased crude and the total refinery expenses (adjusted to exclude incremental expenses related to the processing of crude for third parties).

Net realisable values are refined products sales prices as quoted in the 'Caribbean Postings' and the 'Platts Oilgram' at the close of the reporting period.

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

(c) Materials and supplies

Inventories of 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. Refinery spare parts are considered refining assets and depreciated during the useful lives of the related assets.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.8 Trade receivables

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

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and cheques issued but not yet presented to financial institutions. Cash and cash equivalents are subject to insignificant risk of changes in value.

3.10 Share capital

Ordinary shares are classified as equity.

3.11 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised over the period of the borrowings using the effective interest method. This amount is capitalised during the construction period of the qualifying asset, and upon completion of the asset, it is recognised in profit or loss until the maturity of borrowings.

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 date.

Borrowing Costs

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

Other borrowing costs are expensed.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.13 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 these financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or tax loss. Deferred income tax is also recognised on carry-forward unused tax losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.14 Employee benefits

(a) *Pension asset*

Retirement benefits for 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 asset recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of Plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for the effect of the asset ceiling test. The pension asset is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities and high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are immediately credited or charged to other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.14 Employee benefits (continued)

(b) Other post-employment obligations

The Group provides post-employment healthcare benefits to its retirees under two (2) medical plans. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are immediately recognised in other comprehensive income. These obligations are valued annually by independent qualified actuaries.

3.15 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales revenue

Revenues from sales of products are recognised upon transfer of risks and rewards associated with the ownership of products. In particular, revenues are recognised:

- for crude oil, generally upon shipment;
- for natural gas and natural gas liquids, when the natural gas is delivered to the customer;
- for refined products, generally upon shipment.

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

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

(b) Royalty income

Royalty income is recognised 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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3 Summary of significant accounting policies (continued)

3.15 Revenue recognition (continued)

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument. Interest income on impaired loans is recognised using the original effective interest rate.

(d) 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 and tug and launch hire.

3.16 Leases

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

3.17 Dividend distribution

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

4 Financial risk management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the risk management department which is responsible for developing and monitoring the Group's risk management policies.

4.1 Financial risk factors

The Group has exposure to the following risk from its use of financial instruments:

- market risk (including commodity and other price risk and interest rate risk);
- credit risk;
- liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not at this time use derivative financial instruments to hedge its risk exposures.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk

(i) Commodity and other price risk

The Group purchases approximately 60% of the total crude that is processed at the refinery. As a result, with respect to this stream of crude oil supply, the Group is exposed to fluctuations in the differential between the price of crude oil purchased and the prices at which refined products are sold.

Own-crude production makes up the remaining 40% of total crude oil processed at the refinery. The Group is therefore exposed to fluctuations in the market prices of refined products derived from this stream of crude oil supply.

The Group is also exposed to fluctuations in the prices of liquefied natural gas (LNG) sales, which is sold at market prices.

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

Other price risks arise due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is affected by changing prices of equity instruments mainly classified as investments available-for-sale with fair value movements recognised in shareholders' equity.

In the years ended 2011 September 30 to 2013 September 30, Management deemed the price risk impact on equity instruments classified as available-for-sale to be immaterial.

(ii) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The functional currency of the Group's cash flows is the United States dollar (USD) since the Group's major product, oil is priced internationally in USD. Foreign currency transaction exposures mainly arise on the Group's sales or purchases in currencies other than USD. Also foreign currency translation exposures arise from financial instruments denominated in currencies other than USD.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

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

	As at September 30		
	2013	2012	2011
Year-end	6.41950	6.41825	6.41610
Average rate during the year	6.40987	6.40181	6.38776

The following tables demonstrate the sensitivity of the Group's profit before tax to a reasonably possible movement of the USD against the TTD holding all other variables constant.

	Note	As at 2013 September 30			Total
		TT\$	Other	US\$	
Assets					
Income taxes recoverable	15	530,683	--	--	530,683
Cash in escrow – shareholder	16	--	--	84,839	84,839
Loans receivable	17	--	--	1,929	1,929
Receivables and prepayments*	19	7,019,864	5	3,066,337	10,086,206
Cash and cash equivalents	20	<u>265,856</u>	<u>--</u>	<u>2,030,175</u>	<u>2,296,031</u>
Financial assets		<u>7,816,403</u>	<u>5</u>	<u>5,183,280</u>	<u>12,999,688</u>
Liabilities					
Borrowings	22	(30,606)	--	(9,007,922)	(9,038,528)
Trade and other payables	24	(2,613,474)	(944)	(2,183,820)	(4,798,238)
Current tax liabilities		(7,449,362)	--	--	(7,449,362)
Short-term loans	25	--	--	(3,979,968)	(3,979,968)
Financial liabilities		<u>(10,093,442)</u>	<u>(944)</u>	<u>(15,171,710)</u>	<u>(25,266,096)</u>
<i>* excludes prepayments</i>					
Net currency exposure		(2,277,039)	(939)	(9,988,430)	(12,266,408)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		(22,770)	(9)	--	(22,779)

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

					As at 2012 September 30 - Restated			
	Note	TTS	Other	US\$	Total			
Assets								
Income taxes recoverable	15	530,683	--	--	530,683			
Cash in escrow – shareholder	16	--	--	71,949	71,949			
Loans receivable	17	--	--	3,386	3,386			
Receivables and prepayments*	19	7,463,038	5	3,023,616	10,486,659			
Cash and cash equivalents	20	165,200	--	1,714,349	1,879,549			
Financial assets		8,158,921	5	4,813,300	12,972,226			
Liabilities								
Borrowings	22	(30,606)	--	(9,393,939)	(9,424,545)			
Trade and other payables	24	(1,361,990)	(14,440)	(3,130,029)	(4,506,459)			
Current tax liabilities		(6,612,755)	--	--	(6,612,755)			
Short-term loans	25	--	--	(3,688,914)	(3,688,914)			
Financial liabilities		(8,005,351)	(14,440)	(16,212,882)	(24,232,673)			
<i>* excludes prepayments</i>								
Net currency exposure		153,570	(14,435)	(11,399,582)	(11,260,447)			
Reasonably possible change in exchange rate		1%	1%	--	--			
Effect on profit before tax		1,536	(144)	--	1,392			

					As at 2011 September 30 - Restated			
	Note	TTS	Other	US\$	Total			
Assets								
Cash in escrow	11	--	--	116,203	116,203			
Income taxes recoverable	15	530,683	--	--	530,683			
Cash in escrow – shareholder	16	--	--	59,766	59,766			
Loans receivable	17	--	--	5,419	5,419			
Receivables and prepayments*	19	4,948,860	5	3,170,878	8,119,743			
Cash and cash equivalents	20	82,905	--	2,555,566	2,638,471			
Financial assets		5,562,448	5	5,907,832	11,470,285			
Liabilities								
Borrowings	22	(30,597)	--	(10,106,889)	(10,137,486)			
Trade and other payables	24	(1,450,700)	444	(3,356,456)	(4,806,712)			
Current tax liabilities		(2,860,234)	--	--	(2,860,234)			
Short-term loans	25	--	--	(3,431,191)	(3,431,191)			
Financial liabilities		(4,341,531)	444	(16,894,536)	(21,235,623)			
<i>* excludes prepayments</i>								
Net currency exposure		1,220,917	449	(10,986,704)	(9,765,338)			
Reasonably possible change in exchange rate		1%	1%	--	--			
Effect on profit before tax		12,209	4	--	12,213			

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 Group is exposed to cash flow or market interest rate risk mainly on its short-term bank deposits and short-term loans. These transactions are negotiated at fixed rates but are subject to repricing risk. Short-term deposits were repriced daily in 2013 (2012: daily; 2011: 20 days), while short-term loans had maturities of 119-180 days in 2013 (2012: 60-180 days and 2011: 28-201 days).

The Group monitors its interest rate risk using interest rate sensitivity and gap analysis. Sensitivity analyses were conducted to determine the effect on net profit with all other variables held constant on next year's results.

	As at September 30		
	2013	2012	2011
Fixed rate instruments			
Financial assets	\$ 8,165	\$ 9,571	\$ 46,414
Financial liabilities	<u>(13,018,496)</u>	<u>(13,113,459)</u>	<u>(13,568,677)</u>
	<u>\$ (13,010,331)</u>	<u>\$ (13,103,888)</u>	<u>\$ (13,522,263)</u>
Variable rate instruments			
Financial assets	\$ 2,296,031	\$ 1,879,549	\$ 2,719,374
Financial liabilities	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$ 2,296,031</u>	<u>\$ 1,879,549</u>	<u>\$ 2,719,374</u>

The table below summarises the Group's exposures to interest rate repricing risk.

	Effect on profit after tax Year ended September 30		
	2013	2012	2011
Change in interest rate:			
Increase by 1%	\$ 22,960	\$ 18,795	\$ 27,194
Decrease by 1%	(22,960)	(18,795)	(27,194)

(iv) Fair value risk

The Group is exposed to fair value risk on 100.00% of its long-term borrowings which are fixed. The Group's preference is for fixed rate debt but considers market conditions at the time of loan negotiations in making fixed versus floating rate decisions. There is no significant exposure to fair value risk on other financial instruments. See Note 22 for fair value and sensitivity analysis.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group, and arises from cash and cash equivalents, deposits with banks and other financial institutions as well as credit exposure to trade and other customers including outstanding receivables and committed transactions. For banks and other financial institutions, only independently rated parties with a minimum rating of 'BBB' are accepted. If trade customers are independently rated, these ratings are used.

The Group has no significant concentration of credit risk. Credit risk is mitigated by internal policies that require sales of products to be made to customers with favourable credit ratings. This requires companies to have a minimum of an investment grade rating from reputable rating agencies, irrevocable letters of credit issued and confirmed by rated banks or payment in advance.

The maximum exposure to credit risk for trade and related parties balances, by geographic region was as follows:

	As at September 30		
	2013	2012	2011
Local	\$ 8,847,008	\$ 9,243,879	\$ 6,378,145
Regional	465,157	275,040	609,685
International	<u>604,831</u>	<u>781,340</u>	<u>653,675</u>
Gross trade and related parties	<u>\$ 9,916,996</u>	<u>\$ 10,300,259</u>	<u>\$ 7,641,505</u>

An analysis of the credit quality of trade and related parties that were not impaired is as follows:

	As at September 30		
	2013	2012	2011
Less than one year trading history*	\$ 207,909	\$ --	\$ 19,985
Customers between one and four years trading history*	51,193	11,316	229,904
Customer with over four years trading history*	9,167,891	9,962,450	7,218,579
Higher risk	<u>562</u>	<u>520</u>	<u>464</u>
	<u>\$ 9,427,555</u>	<u>\$ 9,974,286</u>	<u>\$ 7,468,932</u>

* excludes higher risk

Included in local revenues arising from direct sales of product is approximately 23.95% (2012: 16.14%; 2011:14.81%), which arose from sales to Trinidad and Tobago National Petroleum Marketing Company Limited (NPMC), the Group's largest customer in Trinidad and Tobago. As at 2013 September 30, outstanding receivables from NPMC represented 54.14% (2012: 62.37%; 2011: 62.97%) of local receivables and 48.56% (2012: 56.24%; 2011: 53.10%) of total receivables. The risk from NPMC is minimal as both Petrotrin and NPMC are State owned. Although part of the outstanding balance is past due, historically NPMC has settled its debt to Petrotrin. The fair values of trade and other receivables approximate their carrying amounts.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

The table below is an aging of the gross trade and other receivables balance, excluding prepayments and taxes:

	2013	As at September 30	
		2012 Restated	2011 Restated
Fully performing	\$ 2,133,136	\$ 2,247,833	\$ 2,353,858
Past due but not impaired:			
within 30 days	1,420,910	1,219,104	1,164,225
31 to 60 days	578,885	526,123	584,589
61 to 90 days	350,043	362,832	422,386
over 90 days	5,600,766	6,129,576	3,592,349
Impaired	639,345	459,991	243,007
Total	<u>\$ 10,723,085</u>	<u>\$ 10,945,459</u>	<u>\$ 8,360,414</u>

The movement in the provision for impairment of receivables during the year was as follows:

	Year ended September 30		
	2013	2012	2011
Balance at start of year	\$ (459,991)	\$ (243,007)	\$ (164,650)
Exchange adjustments	3	(4,682)	3,090
Charge for the year (Note 28)	(179,544)	(212,341)	(81,613)
Receivables written-off during the year as uncollectible	187	39	166
Balance at end of year	<u>\$ (639,345)</u>	<u>\$ (459,991)</u>	<u>\$ (243,007)</u>

The maximum exposure to credit risk at the respective reporting dates is the carrying values of the following financial assets: cash-in-escrow, available-for-sale financial instruments, loans receivable, receivables and prepayments and cash and cash equivalents. The Group's maximum exposure totalled \$12,472,775 (2012: \$12,446,537; 2011: \$10,942,961).

	Note	As at September 30		
		2013	2012 Restated	2011 Restated
<u>Assets as per statement of financial position</u>				
Cash in escrow	11	\$ --	\$ --	\$ 116,203
Available-for-sale financial instruments	12	6,236	6,185	5,695
Cash in escrow – shareholder	16	84,839	71,949	59,766
Loans receivable	17	1,929	3,386	5,419
Trade and other receivables excluding prepayments & taxes	19	10,083,740	10,485,468	8,117,407
Cash and cash equivalents	20	<u>2,296,031</u>	<u>1,879,549</u>	<u>2,638,471</u>
		<u>\$ 12,472,775</u>	<u>\$ 12,446,537</u>	<u>\$ 10,942,941</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. In managing its liquidity risks, the Group maintains sufficient cash on hand and committed credit facilities to meet its operational expenses, including the servicing of financial obligations. The Group's treasury function co-ordinates relationships with banks, borrowing requirements and cash management. The Group believes it has access to sufficient funding by using undrawn borrowing facilities to meet foreseeable borrowing requirements. At 2013 September 30, the Group has short-term credit facilities with various foreign and local banking institutions totalling \$7,061,450, of which the sum of \$2,948,225 was unutilised. The Group monitors future cash flows and has access to other diversified funding sources, if required, to manage its liquidity.

The Group has a long-term debt rating of Baa3 (stable outlook) and BBB (stable outlook) assigned by Moody's and Standard and Poor's respectively. The table below presents the financial liabilities payable by the Group by remaining contractual maturities at the reporting date.

As at 2013 September 30

	Contractual cash flows					
	Carrying values	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
Financial liabilities	\$	\$	\$	\$	\$	\$
Borrowings	(9,038,528)	(13,259,751)	(1,212,500)	(1,114,424)	(2,158,400)	(8,774,427)
Trade and other payables (excluding statutory liabilities)	(4,315,475)	(4,315,475)	(4,315,475)	--	--	--
Short-term loans	(3,979,968)	(4,000,468)	(4,000,468)	--	--	--
	(17,333,971)	(21,575,694)	(9,528,443)	(1,114,424)	(2,158,400)	(8,774,427)

As at 2012 September 30 - Restated

	Contractual cash flows					
	Carrying values	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
Financial liabilities	\$	\$	\$	\$	\$	\$
Borrowings	(9,424,545)	(14,411,525)	(1,224,019)	(1,137,739)	(2,204,922)	(9,844,845)
Trade and other payables (excluding statutory liabilities)	(4,004,195)	(4,004,195)	(4,004,195)	--	--	--
Short-term loans	(3,688,914)	(3,713,876)	(3,713,876)	--	--	--
	(17,117,654)	(22,119,596)	(8,942,090)	(1,137,739)	(2,204,922)	(9,844,845)

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 2011 September 30 - Restated

	Contractual cash flows					
	Carrying values	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
<u>Financial liabilities</u>	\$	\$	\$	\$	\$	\$
Borrowings	(10,137,486)	(15,950,820)	(1,613,023)	(1,160,919)	(2,251,192)	(10,925,686)
Trade and other payables (excluding statutory liabilities)	(4,222,576)	(4,222,576)	(4,222,576)	--	--	--
Short-term loans	(3,431,191)	(3,431,191)	(3,431,191)	--	--	--
	(17,791,253)	(23,604,587)	(9,266,790)	(1,160,919)	(2,251,192)	(10,925,686)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to maintain a strong credit rating and an optimum capital structure in order to provide returns for its shareholders and benefits for other stakeholders.

The Group's capital structure consists of share capital, reserves and retained earnings and adjustments are made based on economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 2011 September 30 to 2013 September 30.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as total borrowings (borrowings, current portion of long-term borrowings and short-term loans, as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt. The Group's policy is to maintain a gearing ratio up to 50% and a BBB credit rating.

The Group has maintained compliance with its gearing policy and BBB credit rating during 2013.

Gearing ratio

	As at September 30		
	2013	2012	2011
Total borrowings	\$ 13,018,496	\$ 13,113,459	\$ 13,568,677
Less: Cash and cash equivalents	<u>(2,296,031)</u>	<u>(1,879,549)</u>	<u>(2,638,471)</u>
Net debt	10,722,465	11,233,910	10,930,206
Total equity	<u>12,495,648</u>	<u>12,388,959</u>	<u>11,967,147</u>
Total capital	<u>\$ 23,218,113</u>	<u>\$ 23,622,869</u>	<u>\$ 22,897,353</u>
Gearing ratio	46.18%	47.56%	47.74%

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.3 Fair value estimation

The carrying amount of the following assets and liabilities: cash, investments, trade receivables and payables, other receivables and payables and short-term borrowings approximate to their fair values.

5 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of these Consolidated financial statements requires Management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic in the circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Summarised below are the accounting estimates that require the more subjective judgment of Management. Such assumptions or estimates regard the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect future results.

(a) IAS 19 valuation

The valuation of the Group's pension plans assets and expected liabilities are calculated in accordance with IAS 19 revised requirements. The actuarial valuation for the pension benefits and post-employment medical costs are computed by qualified actuaries using Management's assumptions for discount rate and data supplied by Management; expected rate of return on Plan assets; future salary increases and medical expense inflation rates. Each of these principal actuarial assumptions can and will change in the future (See Note 10).

(b) Oil and gas reserves

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 Group'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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

5 Critical accounting estimates and judgments (continued)

(b) Oil and gas reserves (continued)

Estimated proved reserves are used in determining depreciation expenses and impairment expense. Depreciation 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, 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.

(c) Lease licences

It is assumed that licences to develop oil and gas properties acreages will continue to be extended to the Group by the Government of the Republic of Trinidad and Tobago throughout the remaining productive lives of the related fields. The Group's estimates of reserves, the estimated provisions for decommissioning and the impairment assessments are based on this assumption.

(d) Impairment of assets

(i) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.4 (a). This requires an estimation of the 'value-in-use' of the cash generating units to which the goodwill is allocated. Estimating a 'value-in-use' amount requires Management to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 7.

(ii) Financial assets

Financial assets excluding trade and other receivables are assessed at each reporting period to determine whether there is any objective evidence that they are impaired, while trade and other receivables are reviewed quarterly for impairment.

In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers, or national or local economic conditions. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

If there is objective evidence that an impairment loss on loans receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

5 Critical accounting estimates and judgments (continued)

(d) Impairment of assets (continued)

(iii) Other assets

Property, plant and equipment and intangible assets are assessed for possible impairment if events and changes in circumstances indicate that the carrying amount may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount. This is the higher of fair value less costs to sell and value-in-use determined as the amount of estimated discounted future cash flows. For this purpose, assets are grouped into cash generating units based on separately identifiable and largely independent cash inflows. Impairments can also occur when decisions are taken to dispose of assets. Impairments, except those relating to goodwill, are reversed as applicable, to the extent of the changes in the events and circumstances that triggered the original impairment.

Estimates of future cash flows are based on Management's estimates of future commodity prices, market supply and demand, product margins and, in the case of oil and gas properties, the expected future production volumes. Other factors that can lead to changes in estimates include restructuring plans and variations in regulatory environments. Expected future production volumes, which are based on proved reserves, are used for impairment testing because the Group believes this to be the most appropriate data for expected future cash flows. Estimates of future cash flows are consistent in the Group's business plan. A discount rate based on the Group's marginal cost of debt is used.

Assumptions on future oil prices tend to be stable because the Group does not consider short-term increases or decreases in prices as being indicative of long-term levels. The future prices used in impairment testing are determined after assessments of drivers; historical analysis, trends and statistical volatility are part of this assessment as well as analysis of possible future global and regional economic conditions.

(e) Decommissioning and environmental obligations

(i) Decommissioning obligation

Obligations related to the removal of tangible equipment and the restoration of land or seabed, once operations are terminated, requires the recognition of significant provision for decommissioning. Estimating the future cost of asset removal is difficult and requires Management to make estimates and judgments because most of the removal obligations are many years in the future, and related contracts and regulations often contain vague descriptions of what constitutes removal. Asset removal technologies and costs are constantly changing, as well as political, environmental, safety and public relations considerations. The criticality of these estimates is also increased by the accounting policy used that requires entities to record the fair value of a liability for decommissioning in the period when it is incurred (typically at the time the asset is installed at the production location). When the liability is initially recorded, the related fixed asset is increased by a corresponding amount. Over time, the liabilities are increased for the provisions due to reflect the passage of time and any change of the estimates following the modification of the future cash flows or the discount rate adopted.

The recognised decommissioning liability amounts are based upon future retirement cost estimates and incorporate many assumptions such as expected recoverable quantities of crude oil and natural gas, time to abandonment, future inflation rates and the risk-free rate of interest adjusted for the Group's credit costs. (See Note 23).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

5 Critical accounting estimates and judgments (continued)

(e) Decommissioning and environmental obligations (continued)

(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.

(f) Income taxes

The Group 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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

6 Property, plant and equipment

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
Year ended 2013 September 30							
Opening net book amount	743	107,169	107,912	1,748,277	16,877,383	523,899	19,257,471
Exchange differences	1	451	452	(3,803)	382	(65)	(3,034)
Additions	12	90,475	90,487	182,496	1,140,066	30,833	1,443,882
Transfers	(653)	(17,367)	(18,020)	18,020	--	--	--
Disposals	(90)	--	(90)	(1,278)	--	(5)	(1,373)
Depreciation charge	--	--	--	(253,277)	(653,847)	(12,421)	(919,545)
Closing net book amount	13	180,728	180,741	1,690,435	17,363,984	542,241	19,777,401
As at 2013 September 30							
Cost	13	180,728	180,741	5,886,511	21,912,981	732,747	28,712,980
Accumulated depreciation	--	--	--	(4,196,076)	(4,548,997)	(190,506)	(8,935,579)
Net book amount	13	180,728	180,741	1,690,435	17,363,984	542,241	19,777,401
Year ended 2012 September 30 - Restated							
Opening net book amount	693	35,205	35,898	1,883,450	15,903,183	520,185	18,342,716
Exchange differences	(15)	(574)	(589)	33,025	4,611	(97)	36,950
Additions	495	88,438	88,933	148,774	1,247,557	15,991	1,501,255
Transfers	(430)	(15,900)	(16,330)	16,330	--	--	--
Disposals	--	--	--	(93)	(33)	(1,695)	(1,821)
Depreciation charge	--	--	--	(333,209)	(277,935)	(10,485)	(621,629)
Closing net book amount	743	107,169	107,912	1,748,277	16,877,383	523,899	19,257,471
As at 2012 September 30							
Cost	743	107,169	107,912	5,689,854	20,766,984	701,724	27,266,474
Accumulated depreciation	--	--	--	(3,941,577)	(3,889,601)	(177,825)	(8,009,003)
Net book amount	743	107,169	107,912	1,748,277	16,877,383	523,899	19,257,471

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

6 Property, plant and equipment (continued)

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
Year ended 2011 September 30							
Opening net book amount	872	17,964	18,836	1,932,407	12,385,580	468,290	14,805,113
Exchange differences	8	1,705	1,713	23,827	193,343	7,071	225,954
Additions	19	42,671	42,690	170,968	3,601,528	56,350	3,871,536
Transfers	(206)	(27,135)	(27,341)	27,341	--	--	--
Disposals	--	--	--	(1)	--	(8)	(9)
Depreciation charge	--	--	--	(271,092)	(277,268)	(11,518)	(559,878)
Closing net book amount	693	35,205	35,898	1,883,450	15,903,183	520,185	18,342,716
As at 2011 September 30							
Cost	693	35,205	35,898	5,524,587	19,508,150	688,944	25,757,579
Accumulated depreciation	--	--	--	(3,641,137)	(3,604,967)	(168,759)	(7,414,863)
Net book amount	693	35,205	35,898	1,883,450	15,903,183	520,185	18,342,716

Depreciation expense of \$907,124 (2012: \$611,144; 2011: \$548,360) has been charged in cost of sales, while \$12,421 (2012: \$10,485; 2011: \$11,518) has been charged in other operating expenses. Included in production and Refining and Marketing assets, under depreciation is an impairment loss of \$3,220 and \$272,169 respectively. The Group recorded a reversal of previous impairment losses in production assets, of \$18,604 and \$53,541 in the years ended 2012 September 30 and 2011 September 30 respectively. No reversals of previous losses were recorded in the year ended 2013 September 30.

Costs not subject to depreciation totalled \$12,218,369 (2012: \$13,120,263; 2011: \$12,060,989). These are assets under construction in Refining and Marketing and Corporate as well as Exploration and Evaluation and Development costs.

	As at September 30		
	2013	2012 Restated	2011 Restated
Assets under construction (excluding Exploration and Evaluation and Development costs)			
Production assets	\$ 640,775	\$ 451,815	\$ 451,131
Refining and Marketing assets	11,658,636	12,680,536	11,715,090
Other Business and Corporate assets	378,993	317,383	310,004

Included in Refining and Marketing assets is an amount of \$221,205 (2012: \$219,917; 2011: \$838,664) capitalised in respect of specific borrowing costs. These are actual borrowing costs incurred, less any investment income earned on temporary investment of borrowings. Borrowing costs were incurred on financing for the Ultra Low Sulphur Diesel (ULSD) project during the years ended 2013 September 30 and 2012 September 30, and both Gasoline Optimisation and ULSD projects during the year ended 2011 September 30 (See Note 22).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

6 Property, plant and equipment (continued)

Included in development assets and Refining and Marketing is interest capitalised during the year, on general borrowings of \$10,093 (2012: \$16,345; 2011: \$29,021) and \$11,985 (2012: \$22,058; 2011: \$15,510) respectively. The capitalisation rate on general borrowings is 1.30% (2012: 1.80%; 2011: 2.10%).

7 Intangible assets

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2013 September 30								
Opening net book amount	283,556	797,690	1,081,246	254,537	5,816,977	768,582	40,923	7,962,265
Exchange differences	807	1,731	2,538	48	913,606)	15	(83)	(11,088)
Additions	21,536	904,548	926,084	--	155,064	--	8,675	1,089,823
Revised decommissioning cost	--	--	--	--	(1,135,751)	(348,697)	--	(1,484,448)
Transfers	(3,677)	(102,228)	(105,905)	--	105,905	--	--	--
Disposals	--	--	--	--	(1,612)	--	--	(1,612)
Amortisation charge	--	--	--	--	(1,227,187)	(54,807)	(7,795)	(1,289,789)
Closing net book amount	270,896	1,581,597	1,852,493	254,585	3,748,431	365,093	41,720	6,262,322
As at 2013 September 30								
Cost	270,896	1,581,597	1,852,493	391,153	14,063,571	894,760	167,696	17,369,673
Accumulated amortisation	--	--	--	(136,568)	(10,315,140)	(529,667)	(125,976)	(11,107,351)
Net book amount	270,896	1,581,597	1,852,493	254,585	3,748,431	365,093	41,720	6,262,322

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

7 Intangible assets (continued)

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2012 September 30 - Restated								
Opening net book amount	266,679	336,101	602,780	253,308	4,176,735	283,296	27,545	5,343,664
Exchange differences	6	(38,192)	(38,186)	1,229	(9,763)	(348)	(87)	(47,155)
Additions	20,427	602,009	622,436	--	307,192	(14)	19,253	948,867
Revised decommissioning cost	--	--	--	--	2,084,540	504,820	--	2,589,360
Transfers	(3,556)	(102,228)	(105,784)	--	105,784	--	--	--
Disposals	--	--	--	--	(1,612)	--	--	(1,612)
Amortisation charge	--	--	--	--	(845,899)	(19,172)	(5,788)	(870,859)
Closing net book amount	283,556	797,690	1,081,246	254,537	5,816,977	768,582	40,923	7,962,265
As at 2012 September 30								
Cost	283,556	797,690	1,081,246	392,170	14,888,191	1,243,217	158,967	17,763,791
Accumulated amortisation	--	--	--	(137,633)	(9,071,214)	(474,635)	(118,044)	(9,801,526)
Net book amount	283,556	797,690	1,081,246	254,537	5,816,977	768,582	40,923	7,962,265
	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2011 September 30								
Opening net book amount	132,486	262,818	395,304	250,592	4,303,362	352,927	33,016	5,335,201
Exchange differences	2,342	40,849	43,191	2,716	15,587	5,228	371	67,093
Additions	136,432	334,100	470,532	--	194,236	14	885	665,667
Revised decommissioning cost	--	--	--	--	75,884	(26,735)	--	49,149
Transfers	(4,581)	(301,666)	(306,247)	--	306,247	--	--	--
Disposals	--	--	--	--	(1,462)	--	--	(1,462)
Amortisation charge	--	--	--	--	(717,119)	(48,138)	(6,727)	(771,984)
Closing net book amount	266,679	336,101	602,780	253,308	4,176,735	283,296	27,545	5,343,664
As at 2011 September 30								
Cost	266,679	336,101	602,780	390,349	12,329,519	738,562	139,653	14,200,863
Accumulated amortisation	--	--	--	(137,041)	(8,152,784)	(455,266)	(112,108)	(8,857,199)
Net book amount	266,679	336,101	602,780	253,308	4,176,735	283,296	27,545	5,343,664

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

7 Intangible assets (continued)

Amortisation expense of \$1,281,994 (2012: \$865,071; 2011: \$765,257) has been charged in cost of sales while \$7,795 (2012: \$5,788; 2011: \$6,727) has been charged to other operating expenses. No impairment losses were recorded in the years ended 2012 September 30 and 2011 September 30.

Costs not subject to amortisation totalled \$1,852,493 (2012: \$1,081,246; 2011: \$602,780). Included in production assets is an amount of \$35,157 (2012: \$90,564; 2011: \$23,188) in respect of assets under construction and a net amortised amount of \$1,061,307 (2012: \$2,624,251; 2011: \$639,046) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to seventeen (17) years. Included in refining and marketing assets is a net amortised amount of \$352,795 (2012: \$722,660; 2011: \$252,846) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to fifteen (15) years.

Included in development assets is interest capitalised on general borrowings of \$37,721 (2012: \$46,031; 2011: \$36,193). The capitalisation rate on general borrowings is 1.30% (2012: 1.80%; 2011: 2.10%).

(a) Impairment review of goodwill

In accordance with International Accounting Standard 36 - Impairment of Assets, the test for the impairment of goodwill was calculated based on the average 5-year forecast of prices as approved by Management. Prices beyond the 5-year period were assumed to be constant.

Goodwill is allocated to the Group's cash generating unit, Trinmar Operations' Soldado field, as this is the unit to which the goodwill is associated. The recoverable amount of the Trinmar Operations oil and gas reserves was based on value-in-use calculations. These calculations use the pre-tax cash flow projections based on proved reserves covering a 15-year period.

The key assumptions used for the value-in-use calculations are as follows:

- price per barrel of crude of *US\$90.78/TT\$582.73 and price per mscf of natural gas of *US\$1.29/TT\$8.25, estimated using the market assumptions of the Group's Budget for the year ending 2014 September 30 and 2014-2018 Business Plan;
- the future cash flows were adjusted to reflect risks specific to the cash generating unit and risks surrounding the cash flows. These cash flows were discounted using a rate of 6.15% per annum;
- the maximum economic life used for the valuation of reserves was fifty (50) years as this represents Management's estimation of the economic productive life of the field at current rates of extraction;
- supplemental petroleum taxes and other levies on production volumes were calculated at prevailing rates;
- the cash flow beyond the 5-year period were extrapolated using projections based on constant prices and constant costs;
- the carrying value at 2013 September 30 is \$254,585.

Given that there was no significant change in assets and liabilities and that the likelihood of the carrying value exceeding the recoverable amount at the time of the test to be remote, Management believes that there are no reasonable assumptions that would cause the carrying value to exceed the recoverable amount. The impairment test revealed that this asset was not impaired as of 2013 September 30 and consequently no write down of goodwill is required.

*Oil and gas prices quoted above are not expressed in thousands of dollars.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

8 Impairment of fixed assets

In assessing whether a write-down is required in the carrying value of a potentially impaired intangible asset, or an item of property, plant and equipment, its carrying value is compared with its recoverable amounts. Unless otherwise indicated, the recoverable amount used in assessing the impairment charges (described below) is its value-in-use which is derived using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and are discounted using a pre-tax discount rate of 6.15%. This discount rate is derived using a 20-year US treasury rate adjusted for specific risks related to country, industry and company.

Exploration and Production

The value-in-use is based on cash flows expected to be generated by the projected oil and natural gas production profiles up to the expiration of the licence agreement. Key assumptions used for the value-in-use calculations are as follows:

- revenues were derived using projected production and future prices. This data was obtained from market experts (See Note 5(b));
- direct operating costs were projected based on past experience and available historical data on lifting costs;
- the time horizon used for the valuation of the reserves was fifty (50) years as this represents Management's estimation of the economic productive life of the field at current rates of extraction;
- supplemental petroleum taxes and other levies on production volumes were calculated at prevailing rates;
- the cash flow beyond the 5-year period were extrapolated using projections based on constant prices and constant costs;

An impairment loss of \$3,220 with respect to one cash generating unit was recognised in the year ended 2013 September 30 (2012: \$nil). It is estimated that an increase in the cost of capital by 5% would not cause the carrying amount to exceed the recoverable amount.

Exploration and Evaluation assets

In accordance with IFRS 6, exploration and evaluation assets are assessed for impairment annually or if there are any indications that the assets might be impaired. There were no facts and circumstances indicating that the Group should test these assets for impairment. The following indicators were evaluated to determine whether these assets should be tested:

- the period for which the Group 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 Group 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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

8 Impairment of fixed assets (continued)

Costs related to exploration activities amounting to \$4,530 was written off in the Statement of Comprehensive Income in the year ended 2013 September 30 (2012: \$nil; 2011: \$nil).

Refining and Marketing

The Group assesses its fixed assets for possible impairment in circumstances which indicate that the carrying values of the assets may not be recoverable. Such indicators include changes in the Group's business plans, changes in product prices leading to an unprofitable performance, low plant utilization and evidence of physical damage. If there are low refining and marketing margins during an extended period, the Group may need to recognise impairment charges. The Group estimates value-in-use using a discounted cash flow model. The key assumptions, to which the calculation of value-in-use for the Refining and Marketing division is most sensitive, are refinery gross margin, capital expenditure and discount rate. The average value assigned to the refinery gross margin during the plan period is based on *US\$8.83 per barrel. For the purpose of determining value-in-use, risk-adjusted cash flows for a period of 20 years have been used at a discount rate of 6.15%.

Refining and marketing carrying amount exceeds its recoverable amount by \$272,169, resulting in an impairment loss which is included under depreciation. Based on sensitivity analysis, a change of 1% in the cost of capital would change the value-in-use by \$1,218,621. A change in gross margin of *US\$0.50/bbl would change the value-in-use by \$1,072,538.

*Oil and gas prices quoted above are not expressed in thousands of dollars.

9 Other costs related to exploration for and evaluation of oil and natural gas resources

Costs related to exploration activities amounting to \$4,530 were expensed in the year ended 2013 September 30 (2012: \$nil; 2011: \$nil).

Assets and liabilities related to the exploration for and evaluation of mineral resources other than those presented in Notes 6 and 7 above are as follows:

	As at September 30		
	2013	2012	2011
Payable to contractors and operators	\$ 3,472	\$ 11,387	\$ 7,533

	Year ended September 30		
	2013	2012	2011
Net cash used in operating activities	\$ (4,530)	\$ --	--
Net cash used in investing activities	\$ (20,673)	\$ (15,577)	\$ (199,215)

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement benefit asset/ (obligation)

10.1 Employee benefits

The majority of the Company's employees participated in one of the Company'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	Republic Bank Limited – Trust and Asset Management Division
Trintopec Staff Pension Plan (SPP)	All ex-Trintopec monthly rated employees	RBC Trust Limited

The SPP is exempt approved under the Income Tax Act whilst the PEPP is yet to be approved by the Board of Inland Revenue and registered with the Central Bank.

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.

Employees contribute to the Plans at a rate of 7% of pensionable pay (basic salary, wages and cost of living allowance), reducing to 4% after 31 years' pensionable service. For the year ended 2013 September 30, the employer's contribution rate was 14% of pensionable pay for PEPP and SPP.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement benefit asset/(obligation)

10.1 Employee benefits (continued)

The Pension Plans pay:

- pensions calculated on the basis of service, accrual rate and pensionable salary, and is 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 period, 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 period expires.

A full independent actuarial valuation of the Plans was carried out as at 2010 September 30 and revealed that the funding level of the PEPP was 107% whilst that of the SPP was 154%. The aggregate market value of assets of the former Plans that now form the PEPP stood at \$7,408,500 as at 2010 September 30 while that of the SPP stood at \$1,396,500.

There are 2 self-administered Medical Plans for healthcare in respect of employees and retirees of the Company. All employees are eligible for membership in the Petrotrin Employees Medical Benefit Plan and the Trinmar Plan, where the coverage includes major medical expenses, hospitalisation, dental and optical care. All retirees are eligible for membership under the Petrotrin Retirees' Medical Assistance Plan and the Trinmar Plan where the coverage includes limited medical expenses, hospitalisation for surgery only, dental and optical care. Provision has been made in respect of these medical benefits due to retirees only. No cover is provided to former deferred pensioners even after their pension comes into payment.

An updated valuation of all of the Plans' assets and expected liabilities as at 2013 September 30, 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 2010 September 30, 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 2010 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 charge to the Profit and Loss includes current service cost, net interest on net retirement benefit/obligation, past service cost and administrative expenses.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement benefit asset/(obligation) (continued)

(a) Retirement benefit asset - pension benefits

		2013	As at September 30 2012 Restated	2011 Restated
Asset/(Obligation) in statement of financial position:				
Retirement benefit asset - Pension benefits	(a)	\$ 476,000	\$ 226,300	\$ 892,800
Retirement benefit obligation - Medical benefits	(b)	<u>(2,604,500)</u>	<u>(2,378,900)</u>	<u>(1,855,700)</u>
		<u>\$ (2,128,500)</u>	<u>\$ (2,152,600)</u>	<u>\$ (962,900)</u>
Expense recognised in profit or loss:				
Net pension cost	(a)	\$ (244,700)	\$ (154,800)	\$ (168,300)
Net benefit cost	(b)	<u>(182,900)</u>	<u>(157,900)</u>	<u>(153,700)</u>
		<u>\$ (427,600)</u>	<u>\$ (312,700)</u>	<u>\$ (322,000)</u>

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

		2013	As at September 30 2012 Restated	2011 Restated
Present value of defined benefit obligation		\$ (10,296,500)	\$ (10,031,300)	\$ (8,056,900)
Fair value of Plan assets		<u>11,007,700</u>	<u>10,406,400</u>	<u>9,416,900</u>
Surplus		711,200	375,100	1,360,000
Effects of Asset Ceiling		<u>(235,200)</u>	<u>(148,800)</u>	<u>(467,200)</u>
Net retirement benefit asset		<u>\$ 476,000</u>	<u>\$ 226,300</u>	<u>\$ 892,800</u>

This asset represents the present value of the reduction in future contributions, as advised by the actuaries.

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

		2013	As at September 30 2012 Restated	2011 Restated
Defined benefit obligation at start of year		\$ (10,031,300)	\$ (8,056,900)	\$ (8,034,200)
Current service cost		(256,400)	(210,500)	(198,700)
Interest cost		(487,800)	(489,600)	(487,400)
Members' contributions		(82,900)	(73,800)	(70,000)
Past service cost		--	(1,200)	(1,200)
<i>Re-measurements:</i>				
-Experience adjustments		5,400	(608,600)	255,300
-Actuarial gains from changes in financial assumptions		--	(1,044,600)	--
Benefits paid		<u>556,500</u>	<u>453,900</u>	<u>479,300</u>
Defined benefit obligation at end of year		<u>\$ (10,296,500)</u>	<u>\$ (10,031,300)</u>	<u>\$ (8,056,900)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement benefit asset/(obligation) (continued)

(a) Retirement benefit asset - pension benefits (continued)

Movement in Fair Value of Plan assets during the year:

	2013	As at September 30	
		2012 Restated	2011 Restated
Fair Value of Plan assets at start of year	\$ 10,406,400	\$ 9,416,900	\$ 8,798,200
Interest income	512,500	580,900	541,200
Return on Plan assets, excluding interest income	404,600	656,800	358,300
Company contributions	163,400	137,100	133,500
Members' contributions	82,900	73,800	70,000
Benefits paid	(556,500)	(453,900)	(479,300)
Administrative expenses	<u>(5,600)</u>	<u>(5,200)</u>	<u>(5,000)</u>
Fair Value of Plan Assets at end of year	<u>\$ 11,007,700</u>	<u>\$ 10,406,400</u>	<u>\$ 9,416,900</u>

Movement in the asset recognised in the statement of financial position:

	2013	As at September 30	
		2012 Restated	2011 Restated
Retirement benefit asset at start of year	\$ 226,300	\$ 892,800	\$ 1,675,000
Unrecognised Loss charged to retained earnings	<u>--</u>	<u>--</u>	<u>(1,186,100)</u>
Adjusted retirement benefit asset at start of year	226,300	892,800	488,900
Net pension cost	(244,700)	(154,800)	(168,300)
Re-measurement recognised in other comprehensive income	331,000	(648,800)	438,700
Company contributions paid	<u>163,400</u>	<u>137,100</u>	<u>133,500</u>
Retirement benefit asset at end of year	<u>\$ 476,000</u>	<u>\$ 226,300</u>	<u>\$ 892,800</u>

Contributions to post-employment benefit plans for the year ending 2014 September 30 are expected to be approximately \$167,000.

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

	Year ended September 30		
	2013	2012 Restated	2011 Restated
Current service cost	\$ (256,400)	\$ (210,500)	\$ (198,700)
Interest income on Plan assets	17,300	62,100	36,600
Past service cost	--	(1,200)	(1,200)
Administrative expenses	<u>(5,600)</u>	<u>(5,200)</u>	<u>(5,000)</u>
Net pension cost (Note 28)	<u>\$ (244,700)</u>	<u>\$ (154,800)</u>	<u>\$ (168,300)</u>
Net pension (cost)/income under previous requirements of IAS 19	<u>\$ (250,900)</u>	<u>\$ 138,700</u>	<u>\$ (303,700)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement benefit asset/(obligation) (continued)

(a) Retirement benefit asset - pension benefits (continued)

Re-measurements recognised in Other Comprehensive Income:

	Year ended September 30		
	2013	2012 Restated	2011 Restated
Experience gains/(losses)	\$ 410,000	\$ (996,400)	\$ 613,600
Effect of Asset Ceiling	<u>(79,000)</u>	<u>347,600</u>	<u>(174,900)</u>
Re-measurements recognised in other comprehensive income	<u>\$ 331,000</u>	<u>\$ (648,800)</u>	<u>\$ 438,700</u>

The actual return on the Plan assets was:

	As at September 30		
	2013	2012 Restated	2011 Restated
Actual return on Plan assets	\$ 917,100	\$ 1,237,700	\$ 899,500

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

	As at September 30		
	2013	2012 Restated	2011 Restated
Locally listed equities	\$ 3,507,600	\$ 3,149,100	\$ 2,625,800
Overseas equities	1,503,500	1,117,900	1,085,500
Bonds	5,059,800	4,680,600	4,489,500
Mortgages	22,200	29,900	38,800
Mutual Funds	97,400	291,700	140,000
Cash and cash equivalents	<u>817,200</u>	<u>1,137,200</u>	<u>1,037,300</u>
Fair value of Plan assets at end of year	<u>\$ 11,007,700</u>	<u>\$ 10,406,400</u>	<u>\$ 9,416,900</u>

The principal actuarial assumptions used were as follows*:

	As at September 30		
	2013	2012	2011
Discount rate	5.00%	5.00%	6.25%
Future salary increases	4.75%	4.75%	5.50%

* Rates 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 0.5% 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.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10. Retirement benefit asset/(obligation) (continued)

(a) Retirement benefit asset - pension benefits (continued)

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

	2013	As at September 30 2012	2011
Life expectancy at age 60 for current pensioners in years			
Male	21.0	21.0	21.0
Female	25.1	25.1	25.1
Life expectancy at age 60 for current members aged 40 in years			
Male	21.4	21.4	21.4
Female	25.4	25.4	25.4

Mortality assumptions:

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 2013 September 30 would have changed as a result of a change in these assumptions.

	1%pa higher	1%pa lower
	\$	\$
- Discount Rate	(1,073,500)	1,335,800
- Future salary increases	374,600	(315,100)

An increase of one (1) year in the assumed life expectancies shown above would increase the defined benefit obligation at 2013 September 30 by \$115,000.

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10. Retirement benefit asset/(obligation) (continued)

(b) Retirement benefit obligation - medical benefits

Movement in Present Value of Retirement Benefit Obligation:

	As at September 30		
	2013	2012 Restated	2011 Restated
Retirement benefit obligation at start of year	\$ (2,378,900)	\$ (1,855,700)	\$ (1,785,700)
Current service cost	(66,000)	(44,300)	(44,400)
Interest cost	(116,900)	(113,600)	(109,300)
<i>Re-measurements:</i>			
- Experience Adjustments	(134,200)	(42,300)	14,400
- Actuarial gains from changes in financial assumptions	--	(399,100)	--
Benefits paid by Company (net of retiree contributions)	<u>91,500</u>	<u>76,100</u>	<u>69,300</u>
Retirement benefit obligation at end of year	<u>\$ (2,604,500)</u>	<u>\$ (2,378,900)</u>	<u>\$ (1,855,700)</u>

Reconciliation of Opening and Closing Balance Sheet Entries:

	As at September 30		
	2013	2012 Restated	2011 Restated
Retirement benefit obligation at start of year	\$ (2,378,900)	\$ (1,855,700)	\$ (1,456,000)
Unrecognised loss charged to retained earnings	<u>--</u>	<u>--</u>	<u>(329,700)</u>
Adjusted retirement benefit obligation at start of year	(2,378,900)	(1,855,700)	(1,785,700)
Net benefit cost	(182,900)	(157,900)	(153,700)
Re-measurements recognised in other comprehensive income	(134,200)	(441,400)	14,400
Benefits paid by Company (net of retiree contributions)	<u>91,500</u>	<u>76,100</u>	<u>69,300</u>
Retirement benefit obligation at end of year	<u>\$ (2,604,500)</u>	<u>\$ (2,378,900)</u>	<u>\$ (1,855,700)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10. Retirement benefit asset/(obligation) (continued)

(b) Retirement benefit obligation - medical benefits (continued)

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

	Year ended September 30		
	2013	2012 Restated	2011 Restated
Current service cost	\$ (66,000)	\$ (44,300)	\$ (44,400)
Interest on retirement benefit obligation	<u>(116,900)</u>	<u>(113,600)</u>	<u>(109,300)</u>
Net benefit cost (Note 28)	<u>\$ (182,900)</u>	<u>\$ (157,900)</u>	<u>\$ (153,700)</u>
Net benefit cost under previous requirements of IAS 19	\$ (227,900)	\$ (168,400)	\$ (167,400)

Re-measurements recognised in Other Comprehensive Income:

	Year ended September 30		
	2013	2012 Restated	2011 Restated
Experience gains/(losses)	<u>\$ (134,200)</u>	<u>\$ (441,400)</u>	<u>\$ (14,400)</u>

Summary of principal assumptions used were as follows*:

	As at September 30		
	2013	2012	2011
Discount rate	5.00%	5.00%	6.25%
Medical expenses increases	5.75%	5.75%	5.75%

* Rates 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 2013 September 30 would have changed as a result of a change in the assumptions used.

	1%pa higher	1%pa lower
	\$	\$
- Discount Rate	(360,200)	459,500
- Medical expenses increases	453,600	(363,100)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 2013 September 30 by \$135,000.

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

11 Cash in escrow

	As at September 30		
	2013	2012	2011
COPCO Bankers Trust Liquid Account	\$ --	\$ --	\$ 80,903
COPCO Collection Account	--	--	35,300
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 116,203</u>

Petrotrin issued a Redemption Notice to the Issuer (COPCO) on 2011 November 16. These Notes were redeemed on 2012 January 17.

12 Available-for-sale financial instruments

	As at September 30		
	2013	2012	2011
La Brea Industrial Development Company Limited (LABIDCO)	\$ 3,983	\$ 3,982	\$ 3,981
Colonial Life Insurance Company Limited (CLICO)	2,060	2,010	1,521
Metal Industries Company Limited	192	192	192
Lake Asphalt of Trinidad and Tobago (1975) Limited (LATT)	<u>1</u>	<u>1</u>	<u>1</u>
	<u>\$ 6,236</u>	<u>\$ 6,185</u>	<u>\$ 5,695</u>

There were no disposals during the year. In the year ended 2013 September 30, a reversal of a previous impairment loss of \$174 was recorded (2012: \$347; 2011: \$65). These investments are not rated.

13 Investment in jointly controlled entity

	As at September 30		
	2013	2012	2011
World GTL Trinidad Limited (WGTL TL)	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>

World GTL Trinidad Limited (WGTL TL), a jointly controlled entity between World GTL St Lucia Limited and Petrotrin, is a limited liability company incorporated under the laws of Trinidad and Tobago. Petrotrin currently holds a 49% shareholding in WGTL TL.

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 on 2009 September 25. The asset was fully impaired in the year ended 2009 September 30. No additional impairment losses or reversals of previous impairment losses were recorded in the years ended 2010 September 30 to 2012 September 30.

No financial statements were received from WGTL Trinidad Ltd for the years ending 2010 September 30 to 2013 September 30. Therefore, Petrotrin's share of losses/profits could not be determined.

On 2011 February 01, the Receiver published a notice advertising the sale of an unfinished Gas-to-Liquids plant and other assets of World GTL TL. (See Note 39 (c)).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

14 Net Deferred Income Tax Assets/(Liabilities)

Deferred income taxes are calculated on all temporary differences under the liability method using tax rates of 55% (Exploration and Production Operations (E&P)) and 50% (Refining and Marketing Operations (R&M)).

The movement of the deferred income tax account is as follows:

		As at September 30		
	2013	2012	2011	
		Restated	Restated	
At start of year:	\$ 98,683	\$ (1,270,247)	\$ (630,446)	
Credit /(Charge) for the year:				
Recognised in profit or loss (Note 32)	1,873,613	786,836	(400,930)	
Recognised in other comprehensive income	<u>(105,628)</u>	<u>582,094</u>	<u>(238,871)</u>	
At end of year	<u>\$ 1,866,668</u>	<u>\$ 98,683</u>	<u>\$ (1,270,247)</u>	

Deferred income tax assets are recognised to the extent that realisation of the related tax benefit is probable.

Deferred income tax assets and liabilities in the statement of financial position, and the deferred tax credit to profit or loss, are attributable to the following items:

	As at 2012 September 30 Restated	(Charged)/Credited		As at 2013 September 30
		Profit/(loss)	Other comprehensive income	
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	1,270,333	297,224	(176,754)	1,390,803
Provision for abandonment	3,607,680	(576,076)	--	3,031,604
Vacation leave payable	92,549	4,570	--	97,119
Interest payable	267,308	(22,538)	--	244,770
Tax losses carried forward	<u>4,661,743</u>	<u>2,116,164</u>	<u>--</u>	<u>6,777,907</u>
	<u>9,899,613</u>	<u>1,819,344</u>	<u>(176,754)</u>	<u>11,542,203</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(3,152,539)	900,900	--	(2,251,639)
Accelerated tax depreciation (R&M)	(6,521,806)	(649,515)	--	(7,171,321)
Retirement benefit asset	(120,844)	(204,466)	71,126	(254,184)
Exchange gain	<u>(5,741)</u>	<u>7,350</u>	<u>--</u>	<u>1,609</u>
	<u>(9,800,930)</u>	<u>54,269</u>	<u>71,126</u>	<u>(9,675,535)</u>
Net deferred income tax assets	<u>98,683</u>	<u>1,873,613</u>	<u>(105,628)</u>	<u>1,866,668</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

14 Net Deferred Income Tax Assets/(Liabilities) (continued)

	As at 2011	(Charged)/Credited		As at 2012
	September 30	Profit/(loss)	Other comprehensive income	September 30
	Restated			Restated
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	990,944	43,756	235,633	1,270,333
Provision for abandonment	2,032,467	1,575,213	--	3,607,680
Vacation leave payable	73,924	18,625	--	92,549
Interest payable	364,889	(97,581)	--	267,308
Tax losses carried forward	<u>3,102,101</u>	<u>1,559,642</u>	<u>--</u>	<u>4,661,743</u>
	<u>6,564,325</u>	<u>3,099,655</u>	<u>235,633</u>	<u>9,899,613</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(2,164,605)	(987,934)	--	(3,152,539)
Accelerated tax depreciation (R&M)	(5,255,613)	(1,266,193)	--	(6,521,806)
Retirement benefit asset	(476,755)	9,450	346,461	(120,844)
Exchange gain/(loss)	<u>62,401</u>	<u>(68,142)</u>	<u>--</u>	<u>(5,741)</u>
	<u>(7,834,572)</u>	<u>(2,312,819)</u>	<u>346,461</u>	<u>(9,800,930)</u>
Net deferred income tax assets	<u>(1,270,247)</u>	<u>786,836</u>	<u>582,094</u>	<u>98,683</u>

	As at 2010	(Charged)/Credited		As at 2011
	September 30	Profit/(loss)	Other comprehensive income	September 30
	Restated			Restated
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	953,564	45,165	(7,785)	990,944
Provision for abandonment	1,861,513	170,954	--	2,032,467
Vacation leave payable	72,209	1,715	--	73,924
Interest payable	351,649	13,240	--	364,889
Tax losses carried forward	<u>2,499,662</u>	<u>602,439</u>	<u>--</u>	<u>3,102,101</u>
	<u>5,738,597</u>	<u>833,513</u>	<u>(7,785)</u>	<u>6,564,325</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(2,165,164)	559	--	(2,164,605)
Accelerated tax depreciation (R&M)	(3,929,027)	(1,326,586)	--	(5,255,613)
Retirement benefit asset	(261,073)	15,404	(231,086)	(476,755)
Exchange gain	<u>(13,779)</u>	<u>76,180</u>	<u>--</u>	<u>62,401</u>
	<u>(6,369,043)</u>	<u>(1,234,443)</u>	<u>(231,086)</u>	<u>(7,834,572)</u>
Net deferred income tax liabilities	<u>(630,446)</u>	<u>(400,930)</u>	<u>(238,871)</u>	<u>(1,270,247)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

15 Income taxes recoverable

	As at September 30		
	2013	2012	2011
	<u>\$ 530,683</u>	<u>\$ 530,683</u>	<u>\$ 530,683</u>

These amounts represent overpayments of Petroleum Profits Taxes resulting from re-filing of tax returns to claim previously un-utilised tax losses.

16 Cash in escrow - shareholder

	As at September 30		
	2013	2012	2011
	<u>\$ 84,839</u>	<u>\$ 71,949</u>	<u>\$ 59,766</u>

The new land licences agreements effective in the year 2006, contain a clause requiring Petrotrin to establish an escrow account at an approved financial institution in the name of the Minister of Energy and Energy Affairs. Cash reserves, calculated based on production volumes, are to be accumulated in the account for use as a contingency fund for remediation of pollution arising from Petroleum operations carried out under the licenses, as well as the eventual decommissioning of wells and facilities in the licensed areas. The Minister has sole discretion to access these funds in the event that Petrotrin fails to effect any environmental clean-up, properly abandon wells or decommission facilities. However, once the Company fulfils all decommissioning obligations to the satisfaction of the Minister, and upon determination of the license, the Minister shall return all existing funds in the escrow account to Petrotrin (See Note 33 (iii)).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

17 Loans receivable

	As at September 30		
	2013	2012	2011
(a) Point Fortin LNG Exports Limited	\$ 1,929	\$ 3,386	\$ 5,419
(b) World GTL Trinidad Limited (WGTL TL)	--	--	--
(c) World GTL Inc.	--	--	--
(d) World GTL Trinidad Limited (WGTL TL) in receivership	--	--	--
	<u>\$ 1,929</u>	<u>\$ 3,386</u>	<u>\$ 5,419</u>
<i>of which:</i>			
Current portion	\$ 1,252	\$ 1,877	\$ 2,502
Non-current portion	677	1,509	2,917
At end of year	<u>\$ 1,929</u>	<u>\$ 3,386</u>	<u>\$ 5,419</u>
Beginning of year	\$ 3,386	\$ 5,419	\$ 5,867
Disbursements	5,173	9,375	32,324
Impairment loss (Note 29)	(5,173)	(9,375)	(32,324)
Reversal of previous impairment losses (Note 29)	420	468	688
Recoveries	(1,877)	(2,500)	(1,249)
Exchange differences	--	(1)	113
End of year	<u>\$ 1,929</u>	<u>\$ 3,386</u>	<u>\$ 5,419</u>

- (a) This amount represents a non-interest bearing loan, which was Petrotrin's share (19.5%) of Point Fortin LNG Exports Limited's (PFLE) funding request of its shareholders. Under the PFLE Shareholders/Affiliates Facility Agreement of 2002 May 01, Petrotrin along with the other shareholders of PFLE agreed to each make available a revolving working capital facility of an amount up to a total of US\$10,000 (TT\$64,195) for an initial period to 2009 June 30, with any outstanding amounts being repayable in full by 2009 December 31. A further extension of the term of this facility was requested by the PFLE Board of Directors from 2009 December 01 to 2015 December 31, with five (5) instalments paid to date in December of each year from 2009-2013. The remaining balance will be repaid as cash becomes available. The carrying value of this loan as at 2013 September 30, was US\$235/TT\$1,509 while its fair value was US\$300/TT\$1,929. A partial reversal of impairment loss of US\$65/TT\$420 was made to profit in financial year 2013 (2012: US\$73/TT\$468; 2011: US\$108/TT\$688).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

17 Loans receivable (continued)

- (b) This loan arose from Petrotrin's settlement on 2009 July 07, of a loan payable by WGTL TL to a financial institution. As a result, 100% of the rights and interests of the Lender under its Credit Agreement with 'WGTL TL' were assigned to Petrotrin. On 2009 September 25, Petrotrin exercised its rights under the assigned Credit Agreement to appoint a Receiver after WGTL TL failed to repay the subject loan on its maturity on 2009 September 18. Due to insufficient cash flows and following discussions with Management and the Receiver, this loan receivable became fully impaired at 2010 September 30 (US\$127,807/TT\$801,936)*.
- (c) The Guarantee Contribution Agreement of 2007 January 12 between World GTL Inc. and Petrotrin caters for the funding of cost overruns on the construction of the WGTL Trinidad Limited Gas-to-Liquids Plant, with periodic drawdowns. This loan represented shortfalls in the funding made by World GTL Inc., which were met by Petrotrin to a total amount of US\$97,107/TT\$609,862. These amounts are to be repaid on the second anniversary of the date of the respective disbursement, and interest was accrued at 7.23% during the first year of disbursement and 7.73% thereafter. Due to insufficient cash flows to service the WGTL TL loan, the World GTL Inc. loan became fully impaired at 2009 September 30.
- (d) At a meeting held on 2009 November 18 the Board of Directors agreed that all funds advanced by Petrotrin to the Receiver will form a secured loan between Petrotrin and the Receiver, at an interest rate of 10.37% for a term of three (3) years with a one (1) year moratorium on principal repayment.

A full provision for impairment was recognised on this loan receivable at 2010 September 30 (US\$42,452/TT\$268,809*). Additional disbursements of US\$807/TT\$5,173* were made in the year ended 2013 September 30 (2012: US\$1,465/TT\$9,375*; 2011: US\$5,066/TT\$32,324*). A full provision was also made for these amounts.

* These US\$ amounts have been converted to TT\$ at the rates prevailing at the dates of the respective transactions.

18 Inventories

	As at September 30		
	2013	2012	2011
Materials and supplies	\$ 584,305	\$ 635,581	\$ 441,513
Less: provision for obsolescence	<u>(49,406)</u>	<u>(57,951)</u>	<u>(76,419)</u>
	534,899	577,630	365,094
Crude oil	1,152,417	1,567,794	1,196,312
Refined products	<u>2,705,017</u>	<u>2,868,084</u>	<u>2,364,368</u>
	<u>\$ 4,392,333</u>	<u>\$ 5,013,508</u>	<u>\$ 3,925,774</u>

The Group recognised a decrease of \$8,545 (2012: decrease of \$18,468; 2011: increase of \$1,586) in the provision for obsolescence of its inventories.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

19 Receivables and prepayments

	As at September 30		
	2013	2012	2011
Trade receivables	\$ 4,192,596	\$ 3,694,151	\$ 2,937,038
Less: provision for impairment of trade receivables	<u>(115,082)</u>	<u>(60,158)</u>	<u>(19,958)</u>
	<u>4,077,514</u>	<u>3,633,993</u>	<u>2,917,080</u>
Related Parties	5,724,400	6,606,108	4,704,467
Less: provision for impairment of receivables	<u>(374,359)</u>	<u>(265,815)</u>	<u>(152,615)</u>
	<u>5,350,041</u>	<u>6,340,293</u>	<u>4,551,852</u>
Other receivables	806,089	645,200	718,909
Less: provision for impairment of other receivables	<u>(149,904)</u>	<u>(134,018)</u>	<u>(70,434)</u>
	<u>656,185</u>	<u>511,182</u>	<u>648,475</u>
Trade and other receivables excluding prepayments and taxes	10,083,740	10,485,468	8,117,407
Taxes recoverable	2,466	1,191	2,336
Prepayments	<u>284,420</u>	<u>236,098</u>	<u>197,284</u>
Trade and other receivables including prepayments and taxes	<u>\$ 10,370,626</u>	<u>\$ 10,722,757</u>	<u>\$ 8,317,027</u>

20 Cash and cash equivalents

	As at September 30		
	2013	2012	2011
Cash at bank and in hand	\$ 372,587	\$ 278,829	\$ 189,384
Short-term bank deposits	<u>1,923,444</u>	<u>1,600,720</u>	<u>2,449,087</u>
	<u>\$ 2,296,031</u>	<u>\$ 1,879,549</u>	<u>\$ 2,638,471</u>

The weighted average effective interest rate on short-term deposits was 0.18% (2012: 0.13%; 2011: 0.33%). These deposits have an average maturity of one (1) day (2012: one (1) day; 2011: twenty (20) days).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

21 Share capital

	2013	As at September 30 2012	2011
Authorised			
300,000,000 ordinary shares of no par value (2012: 300,000,000 ordinary shares of no par value) (2011: 300,000,000 ordinary shares of no par value)			
Issued and fully paid			
300,000,000 ordinary shares of no par value (2012: 300,000,000 ordinary shares of no par value) (2011: 300,000,000 ordinary shares of no par value)			
	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>

22 Borrowings

The carrying amounts of borrowings are stated below:

	2013	As at September 30 2012	2011
Gasoline Optimisation Project /Ultra Low Sulphur Diesel Plant (a)	\$ 5,395,013	\$ 5,386,998	\$ 5,378,983
Gasoline Optimisation Project (a)	3,580,804	3,974,836	4,367,637
Note issued by COPCO under the terms of a forward sale contract (b)	--	--	315,343
Other (b)	<u>62,711</u>	<u>62,711</u>	<u>75,523</u>
Total borrowings (at fixed rates)	<u>\$ 9,038,528</u>	<u>\$ 9,424,545</u>	<u>\$ 10,137,486</u>
<i>of which:</i>			
Current portion	\$ 458,016	\$ 457,440	\$ 784,998
Non-current portion	<u>8,580,512</u>	<u>8,967,105</u>	<u>9,352,488</u>
	<u>\$ 9,038,528</u>	<u>\$ 9,424,545</u>	<u>\$ 10,137,486</u>
Maturity of non-current borrowings			
Later than 1 and less than 3 years	\$ 792,259	\$ 789,956	\$ 789,692
Between 3 and 4 years	397,036	395,764	395,632
5 years and over	<u>7,391,217</u>	<u>7,781,385</u>	<u>8,167,164</u>
	<u>\$ 8,580,512</u>	<u>\$ 8,967,105</u>	<u>\$ 9,352,488</u>

Weighted average effective interest rates:

	Year ended September 30		
	2013	2012	2011
- bank borrowings (medium and long-term)	8.26%	8.16%	8.07%

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22 Borrowings (continued)

The fair value of borrowings are stated below:

	As at September 30		
	2013	2012	2011
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	\$ 6,915,172	\$ 7,099,600	\$ 6,514,355
Gasoline Optimisation Project	3,854,565	4,414,205	4,405,151
Notes Issued by COPCO under the terms of a forward sale contract	--	--	315,343
Other	<u>62,711</u>	<u>62,711</u>	<u>75,523</u>
	<u>\$ 10,832,448</u>	<u>\$ 11,576,516</u>	<u>\$ 11,310,372</u>

The fair value of borrowings was derived by discounting all future cash flows at prevailing market interest rates that ranged from 4.72% to 4.83% (2012: 4.18% to 4.77%; 2011: 6.59% to 6.73%). The discount rates used to derive the fair value of the bonds represent the borrowing rates if Petrotrin were to access the market at year-end. This pricing is derived from Bloomberg's screen shot of price based on the yield to maturity (YTM) on the associated bond at year-end.

The table below summarises the sensitivity of fair value amounts to a change in the discount rate:

	As at September 30		
	2013	2012	2011
Increase by 1%	\$	\$	\$
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	(309,625)	(268,559)	(353,242)
Gasoline Optimisation Project	<u>(136,326)</u>	<u>(173,412)</u>	<u>(176,686)</u>
	<u>(445,951)</u>	<u>(441,971)</u>	<u>(530,028)</u>
Decrease by 1%			
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	327,971	382,899	379,887
Gasoline Optimisation Project	<u>184,922</u>	<u>184,922</u>	<u>188,912</u>
	<u>512,893</u>	<u>567,821</u>	<u>568,799</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22 Borrowings (continued)

(a) Gasoline Optimisation Project/ Ultra Low Sulphur Diesel Plant

Description	US\$850 Million	US\$750 Million
Carrying value at 2013 September 30	TT\$5,395,013	TT\$3,580,804
Carrying value at 2012 September 30	TT\$5,386,998	TT\$3,974,836
Carrying value at 2011 September 30	TT\$5,378,983	TT\$4,367,637
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	Baa3/BBB by Moody's Investor Services and Standard and Poor's respectively	Baa2/BBB+ by Moody's Investor Services and Standard and Poor's respectively
Date of loan	2009 August 14	2007 May 08
Fixed coupon rate	9.75% per annum	6.00% per annum
Yield	9.875%	6.062%
Tenor	10 years	15 years
Moratorium	--	3 years on principal repayments
Interest payments	Payable semi-annually on August 14 and February 14 commencing on 2009 August 14	Payable semi-annually on May 08 and November 08 commencing 2007 May 08
Principal repayments	Bullet	24 equal semi-annual instalments on each May 08 and November 08 of US\$31,250/TT\$200,503 beginning November 08,2010
Maturity	2019 August 14	2022 May 08
Redemption	Subject to optional redemption	Subject to optional redemption

The proceeds of the Notes are being used to finance the Gasoline Optimisation Project (GOP), and to construct the Ultra Low Sulphur Diesel (ULSD) Plant.

The GOP is an extensive upgrade of the refinery, which, upon implementation will enable Petrotrin to produce increased volumes of higher quality environmentally satisfactory gasoline. The GOP includes the addition of an upgraded Fluidised Catalytic Cracking Unit (FCCU), a Naphtha Pre-Fractionation Unit (PFU), an Isomerisation Unit, a Continuous Catalytic Regeneration Platformer Unit (CCR), an Alkylation Unit/Acid Plant and all associated utilities and offsites. The project started commercial production in 2013 December.

The ULSD Plant is a high pressure, catalytic, hydrotreating process utilising the SynSat licensed process technology. Upon implementation, Petrotrin will produce improved quality diesel that will meet new local and international quality specifications. In addition, the new ULSD Plant will provide additional value as it would enable our refinery to process a broader range of crude oils, and can result in the substitution of relatively expensive crudes with some that are less expensive, improving overall margins. Mechanical completion on this project is estimated at 2014 June.

Standard Investment Grade covenants apply including limitations on liens, limitations on sale and leaseback transactions and limitations on consolidation, merger and sale of assets.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22 Borrowings (continued)

(a) Gasoline Optimisation Project/ Ultra Low Sulphur Diesel Plant (continued)

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.

(b) Notes Issued by COPCO

	As at September 30		
	2013	2012	2011
Notes issued by COPCO	\$ <u> --</u>	\$ <u> --</u>	\$ <u>315,343</u>

Petrotrin redeemed the COPCO Notes on 2012 January 17.

(c) Other

	As at September 30		
	2013	2012	2011
The National Gas Company of Trinidad and Tobago Limited	\$ <u>62,711</u>	\$ <u>62,711</u>	\$ <u>75,523</u>

This represents the balance owed to NGC by Trintomar in respect of a Shareholders Loan provided to meet the shortfall in funding required to complete the Pelican Development Project back in 1993.

This is an interest free, unsecured loan with no fixed terms of repayment. Whilst the lenders have agreed not to request repayment of any part of this loan balance within the foreseeable future, the loan is still repayable on demand.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

23 Provisions

Decommissioning costs

	As at September 30		
	2013	2012	2011
At start of year	\$ 6,772,205	\$ 3,849,502	\$ 3,480,549
Revised costs estimates	(1,484,448)	2,589,360	49,149
Charge to income statement:			
- Finance charge (Note 29)	411,621	333,727	271,778
- Utilisation	(2,774)	(2,148)	(6,484)
Translation differences	<u>2,221</u>	<u>1,764</u>	<u>54,510</u>
At end of year	<u>\$ 5,698,825</u>	<u>\$ 6,772,205</u>	<u>\$ 3,849,502</u>
<i>of which:</i>			
Current portion	13,752	18,172	19,507
Non-current portion	<u>5,685,073</u>	<u>6,754,033</u>	<u>3,829,995</u>
At end of year	<u>5,698,825</u>	<u>6,772,205</u>	<u>3,849,502</u>

This represents Management's best estimated cost of dismantling exploration and production assets at the end of the producing lives of the fields and the refinery at the end of its useful life and includes the costs of environmental remediation.

The estimated decommissioning cost at the end of the producing lives of fields is reviewed annually and is based on engineering estimates and reports. Provision is made for the estimated cost of decommissioning at the reporting date. The provision has been estimated using existing technology, at current prices, and discounted using a risk adjusted rate of 6.15% (2012: 6.17%; 2011: 8.91%) per annum. The decrease in decommissioning costs in the year ended 2013 September 30 is due to revised cost structures arising from a lower escalation rate of 2% per annum (\$1,616,481) partly offset by a lower discount rate (\$132,033). The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be between 2014 and 2030.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

24 Trade and other payables

	As at September 30		
	2013	2012	2011
Trade payables	\$ 1,595,051	\$ 1,369,975	\$1,341,985
Due to related parties	189,800	213,688	262,584
Benefits due to employees	596,656	636,561	1,053,156
Accrued expenses	1,564,862	1,403,344	1,203,586
Accrued interest	165,399	184,388	197,905
Other payables	<u>203,707</u>	<u>196,239</u>	<u>163,360</u>
Trade and other payables excluding statutory liabilities	4,315,475	4,004,195	4,222,576
Due to Government of Trinidad and Tobago			
- Royalties	310,150	308,822	299,086
- Taxes other than income taxes	<u>172,613</u>	<u>193,442</u>	<u>285,050</u>
Trade and other payables including statutory liabilities	<u>\$ 4,798,238</u>	<u>\$ 4,506,459</u>	<u>\$4,806,712</u>

25 Short-term loans

Short-term loans	<u>\$ 3,979,968</u>	<u>\$ 3,688,914</u>	<u>\$ 3,431,191</u>
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Short-term loans during the year were unsecured with effective interest rates ranging from 1.16% to 1.85% (2012: 1.20% to 3.23%; 2011: 1.04% to 1.90%) per annum. They had varying maturity dates of 119 to 180 days (2012: 60 to 180 days; 2011: 28 to 201 days).

Petroleum Company of Trinidad and Tobago Limited**2013 September 30****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****26 Revenue**

	Year ended September 30		
	2013	2012	2011
Refined products sales	\$ 30,178,270	\$ 35,504,255	\$ 34,728,815
Natural gas sales	459,066	777,519	733,921
Crude oil sales	494,308	555,469	518,229
Royalty income	714,843	762,846	834,157
Natural gas liquids sales	63,626	38,030	93,910
Other	<u>1,292</u>	<u>1,406</u>	<u>943</u>
	<u>\$ 31,911,405</u>	<u>\$ 37,639,525</u>	<u>\$ 36,909,975</u>

27 Other operating income

Marine income	\$ 46,994	\$ 58,023	\$ 52,462
Processing fees	2,644	2,448	4,073
Income from utilities	48,209	63,386	33,471
Interest on receivables	152,269	141,527	83,785
Other income	<u>53,328</u>	<u>49,667</u>	<u>16,590</u>
	<u>\$ 303,444</u>	<u>\$ 315,051</u>	<u>\$ 190,381</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

28 Operating costs by nature

- (a) The following items are included in cost of sales; administrative expenses; marketing expenses and other operating expenses from continuing operations:

	Year ended 2013 September 30				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	20,524,093	--	--	--	20,524,093
Production taxes	3,097,212	--	--	--	3,097,212
Employee benefits expense (excluding retirement benefits) (Note 30)	1,415,815	726,499	60,561	--	2,202,875
Production and refining expenses	1,582,302	--	--	--	1,582,302
Movement in inventories	578,444	--	--	--	578,444
Amortisation of intangible assets (Note 7)	1,281,994	--	--	7,795	1,289,789
Depreciation (Note 6)	907,124	--	--	12,421	919,545
Operating lease rental	297,928	16,706	902	--	315,536
Loss on disposal of property, plant and equipment and intangible assets (Note 38)	--	5	--	5,775	5,780
Net benefit cost (Note 10)	--	182,900	--	--	182,900
Loss on foreign currency exchange	--	--	--	(4,548)	(4,548)
Charge for bad and doubtful debts (Note 4.1 (b))	180,471	(927)	--	--	179,544
Directors and key management remuneration (Note 36)	--	9,504	--	--	9,504
Decrease in provision for inventory obsolescence (Note 16)	(9,993)	1,448	--	--	(8,545)
Net pension cost (Note 10)	--	244,700	--	--	244,700
Other expenses	77,751	53,373	(7,124)	(589)	123,411
Total	<u>29,933,141</u>	<u>1,234,208</u>	<u>54,339</u>	<u>20,854</u>	<u>31,242,542</u>

Petroleum Company of Trinidad and Tobago Limited
2013 September 30
Notes to the Consolidated Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago dollars)

28 Operating costs by nature (continued)

	Year ended 2012 September 30 - Restated				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	26,301,204	--	--	--	26,301,204
Production taxes	3,401,806	--	--	--	3,401,806
Employee benefits expense (excluding retirement benefits) (Note 30)	1,338,998	771,236	60,435	--	2,170,669
Production and refining expenses	1,542,597	--	--	--	1,542,597
Movement in inventories	(875,198)	--	--	--	(875,198)
Amortisation of intangible assets (Note 7)	865,071	--	--	5,788	870,859
Depreciation (Note 6)	611,144	--	--	10,485	621,629
Operating lease rental	298,662	14,884	954	--	314,500
Loss on disposal of property, plant and equipment and intangible assets (Note 38)	--	1,406	--	1,737	3,143
Net benefit cost (Note 10)	--	157,900	--	--	157,900
Loss on foreign currency exchange	--	--	--	7,792	7,792
Charge for bad and doubtful debts (Note 4.1 (b))	211,229	1,112	--	--	212,341
Directors and key management remuneration (Note 36)	--	6,463	--	--	6,463
Decrease in provision for inventory obsolescence (Note 16)	1,159	(19,627)	--	--	(18,468)
Net pension cost (Note 10)	--	154,800	--	--	154,800
Other expenses	88,820	63,928	56,758	(1,439)	208,067
Total	<u>33,785,492</u>	<u>1,152,102</u>	<u>118,147</u>	<u>24,363</u>	<u>35,080,104</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

28 Operating costs by nature (continued)

	Year ended 2011 September 30 - Restated				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	23,221,045	--	--	--	23,221,045
Production taxes	3,511,982	--	--	--	3,511,982
Employee benefits expense (excluding retirement benefits) (Note 30)	1,312,941	803,740	54,082	--	2,170,763
Production and refining expenses	1,286,421	--	--	--	1,286,421
Movement in inventories	(440,658)	--	--	--	(440,658)
Amortisation of intangible assets (Note 7)	765,257	--	--	6,727	771,984
Depreciation (Note 6)	548,360	--	--	11,518	559,878
Operating lease rental	330,594	10,384	6,474	--	347,452
(Gain) / loss on disposal of property, plant and equipment and intangible assets (Note 38)	--	(214)	--	1,463	1,249
Net benefit cost (Note 10)	--	153,700	--	--	153,700
Loss on foreign currency exchange	--	--	--	51,822	51,822
Charge for bad and doubtful debts (Note 4.1(b))	83,294	(1,681)	--	--	81,613
Directors and key management remuneration (Note 36)	--	6,737	--	--	6,737
Increase in provision for inventory obsolescence (Note 17)	(922)	2,508	--	--	1,586
Net pension cost (Note 10)	--	168,300	--	--	168,300
Other expenses	83,740	53,634	57,774	(2,000)	193,148
Total	<u>30,702,054</u>	<u>1,197,108</u>	<u>118,330</u>	<u>69,530</u>	<u>32,087,022</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

29 Impairment losses

	Year ended September 30		
	2013	2012	2011
Impairment loss related to loans receivable:			
- World GTL Inc.	\$ --	\$ --	\$ --
- WGTL TL	--	--	--
- WGTL TL in receivership	<u>5,173</u>	<u>9,375</u>	<u>32,324</u>
17	<u>\$ 5,173</u>	<u>\$ 9,375</u>	<u>\$ 32,324</u>
Reversal of previous impairment losses:			
- CLICO	(174)	(347)	(65)
- PFLE	<u>(420)</u>	<u>(468)</u>	<u>(688)</u>
	<u>(594)</u>	<u>(815)</u>	<u>(753)</u>
Net impairment losses	<u>\$ 4,579</u>	<u>\$ 8,560</u>	<u>\$ 31,571</u>

30 Employee benefits expense (excluding retirement benefits)

	Year ended September 30		
	2013	2012	2011
Salaries and wages benefits	\$ 1,449,437	\$ 1,262,299	\$ 1,169,106
Allowances	185,782	350,134	547,789
Overtime	319,608	304,225	247,392
Other personnel costs	47,523	72,400	51,042
Medical services	69,067	50,259	50,116
Travel plan	26,571	39,759	17,728
Voluntary Selective Separation Plan	1,735	1,013	4
Housing aid	20,819	20,930	22,386
Savings plan	33,128	28,325	26,134
National Insurance	<u>49,205</u>	<u>41,325</u>	<u>39,066</u>
	<u>\$ 2,202,875</u>	<u>\$ 2,170,669</u>	<u>\$ 2,170,763</u>

31 Finance income and costs

- Bank borrowings	\$ (667,312)	\$ (663,929)	\$ (1,278)
- Finance charge on decommissioning costs (Note 23)	<u>(411,638)</u>	<u>(333,727)</u>	<u>(271,778)</u>
Finance costs	\$ (1,078,950)	\$ (997,656)	\$ (273,056)
Finance income:			
- Interest on short-term investments	<u>2,410</u>	<u>1,783</u>	<u>989</u>
Finance income and costs	<u>\$ (1,076,540)</u>	<u>\$ (995,873)</u>	<u>\$ (272,067)</u>

In the year ended 2013 September 30, the Group incurred interest on general borrowings of \$743,554 (2012: \$748,363; 2011: \$82,002), of which \$59,799 (2012: \$84,434; 2011: \$80,724) was capitalised. (See Notes 6 and 7).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

32 Tax**(a) Amounts recognised in profit or loss**

	Year ended September 30		
	2013	2012	2011
Tax (benefit)/expense:			
Current tax	\$ 1,749,096	\$ 1,733,195	\$ 1,988,577
Deferred income tax	<u>(1,873,613)</u>	<u>(783,836)</u>	<u>400,930</u>
	<u>\$ (124,517)</u>	<u>\$ 946,359</u>	<u>\$ 2,389,507</u>

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

	Year ended September 30		
	2013	2012	2011
(Loss)/Profit before tax	<u>\$ (108,812)</u>	<u>\$ 1,870,039</u>	<u>\$ 4,709,696</u>
Tax calculated at a rate of 55%	\$ 59,848	\$ (1,028,520)	\$ (2,590,332)
- Expenses not deductible for tax purposes	(26,101)	(57,130)	(119,448)
- Income not subject to tax	81,246	847	(2,893)
- Effect of investment tax credit (uplift)	239,996	266,694	324,272
- Prior year tax adjustment	(9,042)	(170)	6,381
- R&M deferred taxes rate reduction	(135,621)	(59,835)	64,543
- Difference due to translation	(3,984)	36,880	45,807
- Under provision of prior year income taxes	<u>(81,825)</u>	<u>(105,125)</u>	<u>(117,837)</u>
	<u>\$ 124,517</u>	<u>\$ (946,359)</u>	<u>\$ (2,389,507)</u>

(b) Amounts recognised in Other comprehensive income:

Actuarial gains/(losses) on retirement benefit asset – pension benefits	331,000	(648,800)	438,700
Actuarial (losses)/gains on retirement benefit obligation – medical benefits	(134,200)	(441,400)	14,400
Income tax (expense)/benefit on actuarial gains/(losses)	<u>(105,628)</u>	<u>582,094</u>	<u>(238,871)</u>

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

33 Reclassification and restatement of prior year balances

The Group early adopted IAS 19 Employee benefits (as amended in 2011 June) in the year ended 2013 September 30. The standard was applied retrospectively in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as well as the transitional provisions set out in the amended standard. These restatements, in addition to others recorded are described below:

(i) Change in accounting policy due to early application of IAS 19 (Revised) Employee Benefits

The Group early adopted IAS 19 Employee Benefits (Revised 2011) in the financial year ending 2013 September 30, and changed its basis for determining the income or expense related to defined benefit plans. As a result of the change, the Group now 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 net defined benefit liability (asset) at the beginning of the annual period. It takes into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability (asset) comprises:

- interest cost on the defined benefit obligation; and
- interest income on plan assets.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Additionally, the Group will no longer be able to defer the recognition of actuarial gains and losses in retirement benefit plans. All unrecognised actuarial gains or losses for the Group's retirement benefit plans were brought onto the statement of financial position in the Group's financial statements for the year ended 2013 September 30 and the comparable statements as at 2012 and 2011 September 30 were restated. The impact of this restatement was to reduce the Group's retirement benefit asset by \$1,607,100 to increase the retirement benefit obligation by \$ 732,500, and to have a corresponding reduction in retained earnings of \$2,339,600.

(ii) Change in royalty rates applied on onshore crude oil production

The Petroleum (Royalties)(Onshore Crude Oil) Regulations, effective November 1998, caps royalty payable to the State under the Petroleum Act at 10%; thus, the stipulated rate of 12.5% in the core E&P Public Petroleum Rights Licences granted in October 2006 is unlawful. Petrotrin has paid monies to the Ministry of Energy and Energy Affairs ("MEEA") in the bona fide mistaken belief that these sums constituted royalties payable to the State in accordance with the requirements of the Petroleum Act and regulations thereunder. With effect from the effective date of the New Onshore Land Licences the Group had been effecting payments at the increased rate of 12.5% and following External Counsel advice this error was corrected in the year ended 2013 September 30, and over-payments have been recorded as a receivable. Prior period balances have been restated to reflect this rate change and the Group is currently seeking reimbursement from the State for the excess amounts paid.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

33 Reclassification and restatement of prior year balances (continued)

(iii) Amounts paid into Escrow account in the name of the Minister of Energy and Energy Affairs

The new land licences agreements effective in the year 2006, contain a clause requiring Petrotrin to establish an escrow account at an approved financial institution in the name of the Minister. (See Note 16).

All amounts paid or accrued previously were expensed directly to the Statement of Comprehensive Income. This was corrected in the year ended 2013 September 30, with amounts transferred from the statement of Comprehensive Income to the Statement of financial position as a receivable. Prior year amounts have also been restated to reflect the terms of the license agreements.

(iv) Deferred Income and Petroleum Profit Taxes

Prior year deferred income taxes were recalculated in accordance with the early adoption of IAS 19, Employee Benefits (revised). Petroleum profit taxes were also recalculated in line with the revisions to profit outlined in items (ii) and (iii) above.

The table below summarises the restatements made in the Statement of financial position at 2012 September 30 and 2011 September 30 respectively:

	Before restatement	IAS 19 (R)	Restatements Amounts paid into escrow account	Effect of change in royalty rates	Tax impact of restatements	Restated
	\$	\$	\$	\$	\$	\$
As at 2012 September 30:						
Retirement benefit asset –						
Pension benefits	1,833,400	(1,607,100)	--	--	--	226,300
Net deferred income tax asset	--	--	--	--	98,683	98,683
Cash in escrow - shareholder	--	--	71,949	--	--	71,949
Receivables and prepayments	10,284,472	--	--	438,285	--	10,722,757
Retained earnings	10,835,983	(2,339,600)	71,866	325,465	1,029,208	9,922,922
Currency translation differences	237,531	--	83	2,774	--	240,388
Net deferred income tax liabilities	1,150,627	--	--	--	(1,150,627)	--
Retirement benefit obligation – medical benefits	1,646,400	732,500	--	--	--	2,378,900
Trade and other payables	4,396,413	--	--	110,046	--	4,506,459
Current tax liabilities	6,392,653	--	--	--	220,102	6,612,755

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

33 Reclassification and restatement of prior year balances (continued)

	Before restatement	IAS 19 (R)	Restatements		Tax impact of restatements	Restated
			Amounts paid into escrow account	Effect of change in royalty rates		
	\$	\$	\$	\$	\$	\$
As at 2011 September 30:						
Retirement benefit asset –						
Pension benefits	1,557,600	(664,800)	--	--	--	892,800
Cash in escrow - shareholder	--	--	59,766	--	--	59,766
Receivables and prepayments	7,994,995	--	--	322,032	--	8,317,027
Retained earnings	9,831,010	(966,400)	59,703	244,078	343,899	9,512,290
Currency translation differences	231,631	--	63	2,690	--	234,384
Net deferred income tax liabilities	1,782,739	--	--	--	(512,492)	1,270,247
Retirement benefit obligation – medical benefits	1,554,100	301,600	--	--	--	1,855,700
Trade and other payables	4,731,448	--	--	75,264	--	4,806,712
Current tax liabilities	2,691,641	--	--	--	168,593	2,860,234

The table below summarises the restatements made in the Statement of comprehensive income in the years ended 2012 September 30 and 2011 September 30 respectively:

	Before restatement	IAS 19 (R)	Restatements		Tax impact of restatements	Restated
			Amounts paid into escrow account	Effect of change in royalty rates		
	\$	\$	\$	\$	\$	\$
Year ended 2012 September 30:						
Cost of sales	(33,879,127)	--	--	93,635	--	(33,785,492)
Administrative expenses	(869,102)	(283,000)	--	--	--	(1,152,102)
Other operating expenses	(24,278)	--	--	(85)	--	(24,363)
Income tax expenses	(1,049,574)	--	--	--	103,215	(946,359)
Profit for the year	1,009,915	(283,000)	--	93,550	103,215	923,680
Other comprehensive income:						
Currency translation differences	6,134	--	20	84	--	6,238
Actuarial losses on defined benefit plans	--	(1,090,200)	--	--	--	(1,090,200)
Income tax expense on other comprehensive income	--	582,094	--	--	--	582,094
Other comprehensive income for the period, net of income tax	6,134	(508,106)	20	84	--	(501,868)
Total comprehensive income for the year	1,016,049	(791,106)	20	93,634	103,215	421,812

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

33 Reclassification and restatement of prior year balances (continued)

	Before restatement	IAS 19 (R)	Restatements			Restated
			Amounts paid into escrow account	Effect of change in royalty rates	Tax impact of restatements	
<i>Year ended 2011 September 30:</i>	\$	\$	\$	\$	\$	\$
Cost of sales	(30,833,828)	--	--	131,774	--	(30,702,054)
Administrative expenses	(1,293,408)	96,300	--	--	--	(1,197,108)
Other operating expenses	(66,840)	--	--	(2,690)	--	(69,530)
Income tax expense	(2,258,923)	--	--	--	(130,584)	(2,389,507)
Profit for the year	2,225,389	96,300	--	129,084	(130,584)	2,320,189
Other comprehensive income:						
Currency translation differences	175,193	--	63	2,690	--	177,946
Actuarial gains on defined benefit plans	--	453,100	--	--	--	453,100
Income tax expense on other comprehensive income	--	(238,871)	--	--	--	(238,871)
Other comprehensive income for the period, net of income tax	175,193	214,229	63	2,690	--	392,175
Total comprehensive income for the year	2,400,582	310,529	63	131,774	(130,584)	2,712,364

34 Contingent liabilities

(a) Housing loan guarantee

The Group has guaranteed mortgage-housing loans amounting to approximately \$8,076 (2012: \$9,468; 2011: \$10,991) made by various financial institutions to its employees participating in the housing aid scheme operated by the Group.

(b) Letter of credit

The Group has an outstanding letter of credit facility with a financial institution for \$133,257/US\$20,758 (2012: \$132,625/US\$20,664; 2011: \$131,556/US\$20,504) which expires on 2013 December 31. This credit facility was established to meet Petrotrin's 15% share of its abandonment liability with respect to its TSP Joint Venture.

(c) Litigation

Contractors' claims against the Group amounted to \$330 (2012: \$9,432; 2011: \$16,220).

There are a number of other legal claims against the Group amounting to \$29,316 (2012: \$11,134; 2011: \$12,748) 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 Group believes that they will be resolved with no material impact on Group operations, financial position or liquidity.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

34 Contingent liabilities (continued)

(d) Customs bonds

Contingent liabilities of the Group in respect of custom bonds amounted to approximately \$3,483 (2012: \$5,908; 2011: \$6,183).

(e) Severance payments

The Group has several union agreements, which provide for severance payments on the retrenchment of any member who has one or more years of service. If and when such retrenchment occurs the Group shall negotiate with the union the amount of severance to be paid which will be in addition to any other benefits to which the employee may be entitled. No provision has been made for such a contingent liability in these financial statements.

(f) Financial support guarantee

Further to a letter of guarantee dated 1999 September 23, as the major shareholder in Trintomar with respect to abandonment liabilities, the Group has provided a guarantee of financial support in the event Trintomar cannot meet its normal operating commitment.

35 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred is as follows:

	2013	As at September 30	
		2012	2011
Property, plant and equipment	<u>\$ 786,348</u>	<u>\$ 875,674</u>	<u>\$ 885,362</u>

(b) Operating lease commitments – where the Group is the lessee

There were no operating lease commitments at 2013 September 30 (2012: \$nil; 2011: \$nil)

The lease expenditure charged to the profit or loss during the year is disclosed in Note 28.

(c) Sales commitments

The Group has entered into long-term sales contracts with a number of its customers. At the reporting date, these amounted to approximately \$6,578,128 (2012: \$4,888,442; 2011: \$8,144,316). This is for the delivery of contracted volumes. The selling price used to value the commitment is a formula based on Platt's reference price, which is then forecasted based on Petroleum Institute Research Associates forecasts. Sales price at the actual date of sale is based on the pricing formula referenced to the Platt's posting.

(d) Purchases commitments

Purchases commitments at 2013 September 30 amounted to \$nil (2012: \$490,230; 2011: \$134,130).

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related party transactions

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

Most significant transactions concern:

- Sale of refined products to Trinidad and Tobago National Petroleum Marketing Company Limited.
- Purchase of natural gas from The National Gas Company of Trinidad and Tobago Limited.
- The exploration for and production of crude oil and natural gas through joint ventures.

The following is a description of trade and financing transactions with related parties:

Name of Company/Equity	As at 2013 September 30		
	Gross receivables \$	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	7,752,237	--
-Other	84	171,465	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	5,334,532	--	--
The National Gas Company of Trinidad and Tobago Limited	121	50,149	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	75,758	--	5,064
Point Fortin LNG Exports Limited	1,929	--	--
<u>Jointly controlled operations</u>			
Block 9 – Offshore	140,151	--	53,407
Central Block	29,491	41,294	19,035
Moruga West	--	1,020	--
Point Ligoure	59	10,520	1,299
South East Coast Consortium	68,413	78,326	4,674
South West Peninsula	--	213	--
Parrylands 'E' Block	--	1,777	--
Teak, Samaan, Poui (TSP)	69,936	--	52,544
Brighton Marine	965	--	--
Block 1a	280	65	915
Block 3a	3,006	--	--
Block 1b	--	105	210
Block 22	--	6,331	5,364
Galeota	1,192	--	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related party transactions (continued)

Name of Company/Equity	Year ended 2013 September 30			
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	4,516,856	--	--
- Other	--	358,192	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,176	--	7,047,303	9,249
The National Gas Company of Trinidad and Tobago Limited	310,405	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	14,943	--
<u>Joint ventures</u>				
	Operating expenses \$	Capital expenditure \$	Goods \$	Services \$
Block 9 – Offshore	67,823	185,172	365,449	--
Central Block	39,983	33,750	214,643	--
Moruga West	2,212	1,142	10,928	--
Point Ligoure	1,198	365	13,926	--
South East Coast Consortium	23,317	9,350	363,716	--
South West Peninsula	393	--	344	--
Parrylands 'E' Block	2,192	--	4,701	--
Eastern Block	--	--	--	--
Teak, Samaan, Poui (TSP)	128,764	61,032	474,397	--
Block 1a/1b	--	9,388	--	--
Block 2a/b	--	--	--	--
Block 22	--	36,252	--	--
Block 3A	--	2,846	--	--
Mayaro/Guayaguayare Block	--	--	--	--
Galeota	24,432	4,423	144,330	--
Central Range	--	(4,634)	--	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related party transactions (continued)

Name of Company/Equity	As at 2012 September 30 - Restated		
	Gross receivables \$	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	6,918,057	--
-Other	107	192,391	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	6,236,140	279	--
The National Gas Company of Trinidad and Tobago Limited	1,261	47,249	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	60,771	--	4,454
Point Fortin LNG Exports Limited	3,386	--	--
<u>Jointly controlled operations</u>			
Block 9 – Offshore	137,302	--	43,761
Central Block	10,788	50,506	39,401
Moruga West	--	1,011	--
Point Ligoure	59	16,140	601
South East Coast Consortium	65,614	89,055	3,577
South West Peninsula	--	220	--
Parrylands 'E' Block	--	4,077	--
Teak, Samaan, Poui (TSP)	91,060	--	58,061
Block 1a	--	135	1,500
Block 3a	3,006	--	--
Block 1b	--	84	750
Block 22	--	4,932	9,000
Mayaro/Guayaguayare Block	--	--	--
Galeota	--	--	--
Central Range	--	--	500

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related party transactions (continued)

Year ended 2012 September 30 - Restated

Name of Company/Equity	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	4,752,840	--	--
- Other	--	377,167	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	10,068	--	7,084,630	9,989
The National Gas Company of Trinidad and Tobago Limited	213,473	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	14,293	--
<u>Joint ventures</u>				
	Operating expenses \$	Capital expenditure \$	Goods \$	Services \$
Block 9 – Offshore	61,452	104,943	720,739	--
Central Block	35,422	91,758	124,502	--
Moruga West	2,495	--	12,158	--
Point Ligoure	1,831	177	19,553	--
South East Coast Consortium	20,726	13,843	398,112	--
South West Peninsula	364	--	374	--
Parrylands 'E' Block	1,160	--	4,292	--
Eastern Block	--	--	--	--
Teak, Samaan, Poui (TSP)	97,396	66,669	488,771	--
Block 1a/1b	--	3,339	--	--
Block 2a/b	--	--	--	--
Block 22	--	24,950	--	--
Block 3A	--	3,020	--	--
Mayaro/Guayaguayare Block	--	--	--	--
Galeota	--	--	96,093	--
Central Range	--	4,653	--	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related party transactions (continued)

Name of Company/Equity	As at September 30, 2011 - Restated		
	Gross Receivables \$	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	2,849,732	--
-Other	106	295,329	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	4,522,487	1	--
The National Gas Company of Trinidad and Tobago Limited	300	24,670	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	46,423	--	6,878
Point Fortin LNG Exports Limited	5,419	--	--
<u>Jointly controlled operations</u>			
Block 9 – Offshore	68,999	--	18,315
Brighton Marine – Sub-Area A	988	--	--
Central Farm out Block	19,297	75,077	26,772
Moruga West	--	1,869	--
Pointe Ligoure	--	7,947	--
South East Coast Consortium	82,773	128,162	--
South West Peninsula	--	217	--
Parrylands 'E' Block	--	837	--
Teak, Samaan, Poui (TSP)	78,388	--	19,216
Block 1a	--	60	--
Block 1b	--	65	--
Block 22	--	2,587	--
Mayaro/Guayaguayare Block	--	--	--
Galeota	--	--	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related party transactions (continued)

Year ended September 30, 2011 - Restated

Name of Company/Equity	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	4,199,054	--	--
- Other	--	222,983	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	6,809	--	6,656,235	7,296
The National Gas Company of Trinidad and Tobago Limited	324,594	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	9,815	--
<u>Joint Ventures</u>				
	Operating expenses \$	Capital expenditure \$	Goods \$	Services \$
Block 9 – Offshore	49,233	43,470	639,660	--
Central Farm out Block	40,661	79,224	168,251	--
Moruga West	2,198	--	12,626	--
Pointe Ligoure	710	(578)	19,964	--
South East Coast Consortium	21,628	(612)	81,659	--
South West Peninsula	389	--	670	--
Parrylands 'E' Block	1,516	--	3,788	--
Eastern Block	--	--	--	--
Teak, Samaan, Poui (TSP)	89,232	39,841	429,089	--
Block 1a/1b	--	3,554	--	--
Block 2a/b	--	--	--	--
Block 22	--	9,169	--	--
Block 3A	--	(400)	--	--
Mayaro/Guayaguayare Block	--	(2,550)	--	--
Galeota	--	--	72,754	--

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related party transactions (continued)

Compensation of key directors and management personnel:

Compensation of persons with responsibility for key positions in planning, direction and control functions of Petrotrin Group companies, including executive officers (key Management personnel) consist of the following:

	Year ended September 30		
	2013	2012	2011
Short-term employees benefits	\$ 8,833	\$ 5,991	\$ 6,154
Long-term employees benefits	671	472	583
	<u>\$ 9,504</u>	<u>\$ 6,463</u>	<u>\$ 6,737</u>

37 Interest in jointly controlled assets

The Company has a shared control in the following ventures:

	As at September 30		
	2013 Effective Interest	2012 Effective Interest	2011 Effective Interest
Block 9 Unitisation – Offshore	19.50%	19.50%	19.50%
Central Block	35.00%	35.00%	35.00%
East Brighton Block	--	30.00%	30.00%
Moruga West	40.00%	40.00%	40.00%
Point Ligoure	--	50.00%	50.00%
Point Ligoure, Guapo Bay, Brighton Marine (PGB)	30.00%	16.00%	--
South East Coast Consortium	16.00%	16.00%	16.00%
South West Peninsula	27.50%	27.50%	27.50%
Parrylands 'E' Block	25.00%	25.00%	25.00%
Teak, Samaan, Poui (TSP)	15.00%	15.00%	15.00%
Block 1a	20.00%	20.00%	20.00%
Block 1b	20.00%	20.00%	20.00%
Block 22	10.00%	10.00%	10.00%
Block 3A	15.00%	15.00%	15.00%
Galeota	35.00%	35.00%	35.00%
Guayaguayare Shallow	35.00%	35.00%	35.00%
Guayaguayare Deep	20.00%	20.00%	20.00%
Central Range Deep	20.00%	20.00%	20.00%
Central Range Shallow	35.00%	35.00%	35.00%
Block 2ab	--	35.00%	35.00%
Mayaro/Guayaguayare	30.00%	30.00%	--
NCMA 2	20.00%	20.00%	--
NCMA 3	20.00%	20.00%	--
NCMA 4	20.00%	20.00%	--

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

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

37 Interest in jointly controlled assets (continued)

The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of these jointly controlled operations and are included in the Group's statement of financial position and comprehensive income.

	2013	As at September 30 2012	2011
Assets			
Property, plant and equipment	\$ 1,768,559	\$ 1,902,216	\$ 1,941,749
Other long-term assets	1	1	1
Current assets	<u>315,421</u>	<u>311,215</u>	<u>255,863</u>
	2,083,981	2,213,432	2,197,613
Liabilities			
Trade and other payables	<u>(139,651)</u>	<u>(166,161)</u>	<u>(216,822)</u>
	<u>1,944,330</u>	<u>2,047,271</u>	<u>1,980,791</u>
Revenue	<u>1,293,407</u>	<u>1,607,962</u>	<u>1,671,654</u>
Profit before tax	479,771	738,928	827,990
Tax	<u>(252,309)</u>	<u>(428,894)</u>	<u>(530,412)</u>
Profit for the year	<u>\$ 227,462</u>	<u>\$ 310,034</u>	<u>\$ 297,578</u>

Capital commitments for the various joint ventures are \$142,512 (2012: \$161,605; 2011: \$71,181). There are no contingencies related to the Group's interest in the joint ventures. No disclosure of amounts relating to the completion of the Gas-to-Liquids Plant has been included as work has temporarily ceased. These commitments related solely to expenditure for which vendors have been contracted.

The average number of employees in the joint ventures in 2013 was *123 (2012: *123; 2011: *123).

* Number of employees quoted above are not in thousands.

Petroleum Company of Trinidad and Tobago Limited

2013 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

38 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Note	2013	Year ended September 30	
			2012	2011
			Restated	Restated
Operating Activities				
(Loss)/Profit before tax		\$ (108,812)	\$ 1,870,039	\$ 4,709,696
Amortisation of intangible assets	7	1,289,789	870,859	771,984
Utilisation of decommissioning provision	23	(2,774)	(2,148)	(6,484)
Depreciation	6	919,545	621,629	559,878
Impairment losses related to investments		5,173	9,375	32,324
Reversal of previous impairment losses		(594)	(815)	(753)
Foreign currency translation loss/(gain)		5,248	(22,581)	57,386
Finance costs	31	1,078,950	997,656	273,056
Finance income	31	(2,410)	(1,783)	(989)
Loss on disposal of property, plant and equipment and intangible assets	28	5,780	3,143	1,249
Net pension cost	10	244,700	154,800	168,300
Net benefit cost	10	182,900	157,900	153,700
Taxes other than income taxes		1,797,360	2,083,205	2,303,295
Pension contributions paid	10	(163,400)	(137,100)	(133,500)
Post-employment medical benefits paid	10	(91,500)	(76,100)	(69,300)
Changes in working capital:				
Decrease/(Increase) in accounts receivable		352,145	(2,405,369)	(3,323,789)
Decrease/(Increase) in inventories		621,566	(1,087,217)	(426,338)
(Decrease)/Increase in other liabilities		<u>(104,786)</u>	<u>(248,145)</u>	<u>588,862</u>
Cash generated from operations		<u>\$ 6,028,880</u>	<u>\$2,787,348</u>	<u>\$ 5,658,577</u>

In the cash flow statement, proceeds from sales of property, plant and equipment and intangible assets comprise:

	Year ended September 30		
	2013	2012	2011
Net book value(Notes 6 and 7)	\$ 5,814	\$ 3,433	\$ 1,471
Loss on disposal (Note 28)	<u>(5,780)</u>	<u>(3,143)</u>	<u>(1,249)</u>
Proceeds from sales	<u>\$ 34</u>	<u>\$ 290</u>	<u>\$ 222</u>

Petroleum Company of Trinidad and Tobago Limited
2013 September 30
Notes to the Consolidated Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago dollars)

39 Subsequent events

(a) Contingent liabilities - Letter of credit

The Group has an outstanding letter of credit facility with a financial institution for \$133,257/US\$20,758 (2012: \$132,625/US\$20,664; 2011: \$131,556/US\$20,504) which expires on 2013 December 31. This credit facility was established to meet Petrotrin's 15% share of its abandonment liability with respect to its TSP Joint Venture.

(b) Loans receivable from World GTL Inc.

Pursuant to the Guarantee Contribution Agreement of 2007 January 12, relating to World GTL Trinidad Limited's ("WGTL Trinidad") Gas-to-Liquid project (the "GTL Project"), Petrotrin funded cost overruns which were required to be borne by World GTL Inc.

On 2010 February 23, apparently in response to Petrotrin's appointment of the Receiver as described in section 37(c) below, World GTL Inc. and World GTL of St. Lucia Ltd. (the "WGTL Parties") filed a complaint against Petrotrin in the US District Court for the Southern District of New York ("SDNY") (the "WGTL Lawsuit"). The complaint arises out of the GTL Project and alleges fraud, negligent misrepresentation, breach of contract, unjust enrichment, negligence and expropriation, and seeks damages of at least US\$2.0 billion (TT\$12.7 billion). On 2010 June 08, Petrotrin filed a motion to compel arbitration of all claims asserted by WGTL Parties in the WGTL Lawsuit and to stay this lawsuit. On 2010 August 11, Judge Lawrence McKenna of the SDNY granted Petrotrin's motion and issued an order staying the WGTL Lawsuit and compelling the WGTL Parties to bring any such claims before the London Court of International Arbitration (the "LCIA"). On 2010 August 25, the WGTL Parties filed a motion for reconsideration of Judge McKenna's 2010 August 11 order. Judge McKenna denied the motion for reconsideration on 2010 October 22. On 2010 September 08, the WGTL Parties also filed a notice of their intent to appeal Judge McKenna's 2010 August 11, order to the United States Court of Appeals for the Second Circuit. On 2010 October 26, the WGTL Parties withdrew their appeal without prejudice.

On 2010 February 24, Petrotrin commenced arbitration against the WGTL Parties in the International Court of Arbitration of the International Chamber of Commerce (the "ICC") seeking an adjustment of Petrotrin's equity interest in WGTL Trinidad as required by the Guarantee Contribution Agreement, as well as damages.

On 2011 March 16, Petrotrin submitted its particularised Statement of Claim to the ICC. On 2011 August 24, the WGTL Parties filed their Statement of Defence, as well as an application for leave to assert a counterclaim against Petrotrin. The arbitral tribunal denied the WGTL Parties' application on 2011 October 05. Petrotrin filed its Statement of Reply on 2012 February 27, and the WGTL Parties filed their Rejoinder on 2012 April 16. The hearing on the merits took place on 2012 May 08 and 09. An award has not yet been issued, and it is not possible to assess the likelihood of success on the merits.

On 2012 November 29, the Final Award was issued by the ICC Tribunal which declared that the WGTL Parties breached their obligations under the GCA and ordered the WGTL Parties to transfer 9,398,211 common shares of WGTL Trinidad to Petrotrin. The Tribunal also ordered the WGTL Parties to transfer additional common shares of WGTL Trinidad to Petrotrin as compensation for accrued interest, and further ordered the WGTL Parties to pay the majority of Petrotrin's legal fees and expenses in the arbitration.

Petroleum Company of Trinidad and Tobago Limited
2013 September 30
Notes to the Consolidated Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago dollars)

39 Subsequent events (continued)

(b) Loans receivable from World GTL Inc. (continued)

On 2013 March 01, the WGTL parties sent to counsel for Petrotrin a Notice of Application for an order setting aside the portion of the ICC Tribunal's Final Award ordering the WGTL Parties to pay Petrotrin's costs, which was filed in the Superior Court of Justice (Ontario). Petrotrin has engaged attorneys to defend the said application. To date Petrotrin has not been served with the Application Record.

On 2011 November 04, the WGTL Parties filed a request for arbitration (the "RFA") against Petrotrin in the LCIA. The RFA arises out of the GTL Project and alleges breach of implied contractual terms, breach of fiduciary duty, and deceit. The RFA also seeks unspecified damages. Petrotrin filed its Response to the RFA on 2011 December 5. The WGTL Parties filed their Statement of Claim on 2012 March 23, in which they allege breach of fiduciary duty and repudiatory breach of the Project Agreement and seek damages of US\$211.1 million or US\$227 million, depending on the interest rate applied by the arbitral tribunal.

Petrotrin filed its Statement of Defense on 2012 July 02, the WGTL Parties filed their Statement of Reply on 2012 October 26, and Petrotrin filed its Rejoinder on 2012 December 21. The hearing on the merits was adjourned at the request of the WGTL Parties to 2013 September 30 to 2013 October 04. The hearing was held as scheduled. Petrotrin vigorously defended against the claims of the WGTL Parties. The LCIA issued its judgment on 2014 April 24 dismissing all of the claims made by the WGTL Parties and ordering them (1) to bear the costs of the arbitration and (2) to pay Petrotrin for its legal costs.

(c) Sale of assets of WGTL Trinidad Limited

On 2009 September 25, Petrotrin appointed Brian Hackett of Pricewaterhouse Coopers Ltd as the receiver (the "Receiver") of World GTL Trinidad Limited ("WGTL Trinidad") following WGTL Trinidad's default on a loan from Petrotrin to WGTL Trinidad. Petrotrin appointed the Receiver in its role as a secured lender of WGTL Trinidad and pursuant to the terms of a mortgage debenture between WGTL Trinidad and Credit Suisse, which Credit Suisse assigned to Petrotrin in 2009 July.

On 2011 February 01, the Receiver published a notice (the "Notice") in local and foreign newspapers advertising the sale of an unfinished Gas-to-Liquids ("GTL") Plant and other assets of WGTL Trinidad. The Notice states that the GTL Plant "is now in the completion phase with significant construction completed" and that the GTL Plant and other related assets are being sold "on an as is where is basis" (emphasis in original), with the purchaser being responsible for the payment of all outstanding rates and taxes. The sale is also contingent upon the purchaser obtaining certification from the Trinidad and Tobago Ministry of Energy and Energy Affairs. The Notice further states that "the Receiver is under no obligation to accept any of the offers received."

Expressions of interest were received from several companies, both local and international.

The proceeds of any commercial arrangement will be used to repay WGTL Trinidad's current indebtedness to Petrotrin.