

Petroleum Company of Trinidad and Tobago Limited

Consolidated Financial Statements

September 30 2011

(Presented in Thousands of Trinidad and Tobago Dollars)

Petroleum Company of Trinidad and Tobago Limited

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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, 2011, 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, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants
May 8, 2012

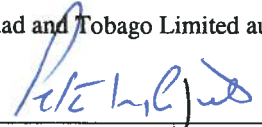
Petroleum Company of Trinidad and Tobago Limited
Consolidated Statement of Financial Position
(Presented in Thousands of Trinidad and Tobago dollars)

		As at September 30	
	Note	2011	2010
ASSETS:			
Non-current assets			
Property, plant and equipment	6	\$ 18,342,716	\$ 14,805,113
Intangible assets	7	5,343,664	5,335,201
Retirement benefit asset – pension benefits	10	1,557,600	1,675,000
Cash in escrow	11	--	114,434
Available-for-sale financial instruments	12	5,695	5,566
Investment in jointly controlled entity	13	1	1
Income taxes recoverable	15	530,683	530,683
Loans receivable	16	<u>2,917</u>	<u>4,635</u>
		<u>25,783,276</u>	<u>22,470,633</u>
Current assets			
Inventories	17	3,925,774	3,493,046
Loans receivable	16	2,502	1,232
Receivables and prepayments	18	7,994,995	4,766,952
Cash in escrow	11	116,203	--
Cash and cash equivalents	19	<u>2,638,471</u>	<u>2,429,621</u>
		<u>14,677,945</u>	<u>10,690,851</u>
Total assets		<u>\$ 40,461,221</u>	<u>\$ 33,161,484</u>
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	2,272,274	2,272,274
Retained earnings		9,831,010	7,616,656
Currency translation differences		<u>231,631</u>	<u>59,124</u>
		12,334,915	9,948,054
Non-controlling interests		<u>(51,801)</u>	<u>(65,522)</u>
Total equity		<u>12,283,114</u>	<u>9,882,532</u>
Liabilities			
Non-current liabilities			
Borrowings	21	9,352,488	9,903,916
Net deferred income tax liabilities	14	1,782,739	1,439,883
Retirement benefit obligation – medical benefits	10	1,554,100	1,456,000
Provisions	22	<u>3,829,995</u>	<u>3,476,302</u>
		<u>16,519,322</u>	<u>16,276,101</u>
Current liabilities			
Trade and other payables	23	4,731,448	3,659,826
Current tax liabilities		2,691,641	798,099
Current portion of long-term borrowings	21	784,998	573,737
Short-term loans	24	3,431,191	1,966,942
Provisions	22	<u>19,507</u>	<u>4,247</u>
		<u>11,658,785</u>	<u>7,002,851</u>
Total liabilities		<u>28,178,107</u>	<u>23,278,952</u>
Total equity and liabilities		<u>\$ 40,461,221</u>	<u>\$ 33,161,484</u>

The notes on pages 6 to 77 are an integral part of these financial statements.

On May 8, 2012 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	
		2011	2010
Continuing operations:			
Revenue	25	\$ 36,909,975	\$ 25,942,414
Cost of sales	27	<u>(30,833,828)</u>	<u>(22,796,612)</u>
Gross profit		6,076,147	3,145,802
Administrative expenses	27	(1,186,440)	(1,030,524)
Marketing expenses	27	(118,330)	(118,130)
Other operating expenses	27	(66,840)	(13,322)
Impairment losses	28	(138,539)	(1,118,535)
Other operating income	26	<u>190,381</u>	<u>143,459</u>
Results from operating activities		4,756,379	1,008,750
Finance income	30	989	4,574
Finance costs	30	<u>(273,056)</u>	<u>(238,634)</u>
Net finance costs	30	<u>(272,067)</u>	<u>(234,060)</u>
Profit before tax		4,484,312	774,690
Income tax expense	31	<u>(2,258,923)</u>	<u>(908,630)</u>
Profit/(loss) for the year		<u>\$ 2,225,389</u>	<u>\$ (133,940)</u>
Other Comprehensive income:			
Currency Translation differences		<u>175,193</u>	<u>(32,872)</u>
Other comprehensive income for the period, net of income tax		<u>175,193</u>	<u>(32,872)</u>
Total comprehensive income/(expense) for the year		<u>\$ 2,400,582</u>	<u>\$ (166,812)</u>
Profit/(loss) attributable to:			
Equity holders of the Company		2,214,354	(138,272)
Non-controlling interests		<u>11,035</u>	<u>4,332</u>
		<u>\$ 2,225,389</u>	<u>\$ (133,940)</u>
Total comprehensive income/(expense) attributable to:			
Equity holders of the Company		2,386,861	(171,363)
Non-controlling interests		<u>13,721</u>	<u>4,551</u>
		<u>\$ 2,400,582</u>	<u>\$ (166,812)</u>

The notes on pages 6 to 77 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited
September 30, 2011
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		
	\$	\$	\$	\$		
Balance at September 30, 2010	2,272,274	59,124	7,616,656	9,948,054	(65,522)	9,882,532
Profit for the period	--	--	2,214,354	2,214,354	11,035	2,225,389
Other comprehensive income						
Currency translation differences	--	172,507	--	172,507	2,686	175,193
Total other comprehensive income	--	172,507	--	172,507	2,686	175,193
Total comprehensive income for the period	--	172,507	2,214,354	2,386,861	13,721	2,400,582
Balance at September 30, 2011	2,272,274	231,631	9,831,010	12,334,915	(51,801)	12,283,114
Balance at September 30, 2009	2,272,274	92,215	7,754,928	10,119,417	(70,073)	10,049,344
Profit for the period	--	--	(138,272)	(138,272)	4,332	(133,940)
Other comprehensive income						
Currency translation differences	--	(33,091)	--	(33,091)	219	(32,872)
Total other comprehensive income	--	(33,091)	--	(33,091)	219	(32,872)
Total comprehensive income for the period	--	(33,091)	(138,272)	(171,363)	4,551	(166,812)
Balance at September 30, 2010	2,272,274	59,124	7,616,656	9,948,054	(65,522)	9,882,532

The notes on pages 6 to 77 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited
September 30, 2011
Consolidated Statement of Cash Flows
(Presented in Thousands of Trinidad and Tobago dollars)

	Note	Year ended September 30 2011	2010
Cash flows from operating activities:			
Cash generated from operations	36	\$ 5,658,577	\$ 3,351,904
Tax paid		<u>(2,325,583)</u>	<u>(2,833,690)</u>
Net cash generated from operating activities		<u>3,332,994</u>	<u>518,214</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment and intangible assets		(3,118,959)	(3,076,027)
Proceeds from sale of property, plant and equipment and intangible assets	36	222	187
Investments available-for-sale		--	(2,553)
Recoveries on loans to related parties		1,249	618
Disbursements of loans to related parties		(32,324)	(268,809)
Interest received		<u>3,018</u>	<u>11,104</u>
Net cash used in investing activities		<u>(3,146,794)</u>	<u>(3,335,480)</u>
Cash flows from financing activities:			
Proceeds from short-term loans		8,184,208	6,251,113
Repayments of short-term loans		(6,736,239)	(5,459,817)
Repayments of long-term borrowings		(499,373)	(106,697)
Interest paid		<u>(1,017,291)</u>	<u>(1,015,736)</u>
Net cash used in financing activities		<u>(68,695)</u>	<u>(331,137)</u>
Currency translation differences relating to cash and cash equivalents		<u>91,345</u>	<u>(3,110)</u>
Increase/(Decrease) in cash and cash equivalents		208,850	(3,151,513)
Cash and cash equivalents at start of year		<u>2,429,621</u>	<u>5,581,134</u>
Cash and cash equivalents at end of year	19	<u>\$ 2,638,471</u>	<u>\$ 2,429,621</u>

The notes on pages 6 to 77 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

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 September 30, 2011 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
COPCO	Cayman Islands	Nil

Caribbean Oil Purchase Company Limited (COPCO) is an exempted limited liability company incorporated under the laws of the Cayman Islands. All of the issued shares in COPCO are beneficially held in trust on behalf of the Noteholders. In accordance with SIC 12 – Consolidation – Special Purpose Entities the assets and liabilities of COPCO have been reflected in the Group financial statements of Petrotrin.

Trintomar	Trinidad and Tobago	80%
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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

September 30, 2011

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.

(b) Basis of measurement

The consolidated 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, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

(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

September 30, 2011

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. Comparative amounts have been reclassified to conform with the current year's presentation, as follows:

- The amount owed by Trintomar to The National Gas Company of Trinidad and Tobago Limited represents 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 and has been disclosed in the statement of financial position under current liabilities.

This resulted in a reclassification of the loan balance at September 30, 2010 (\$77,879) from non-current liabilities to current liabilities. It had no impact on the financial position of the Group.

3.1 Accounting standards and interpretations

(a) New standards, amendments and interpretation adopted

- IAS 24 (Revised), related party disclosures (effective January 1, 2011). It amends the definition of a related party and modifies certain related party disclosure requirements for government related entities.
- Several other 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 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 after January 1, 2011, and have not been applied in preparing these financial statements. Management is currently assessing the impact of these standards, amendments and interpretations, except for IAS 19 which is as follows:

Under revised IAS 19, companies will no longer be able to defer the recognition of actuarial gains and losses in retirement benefit plans. Any unrecognised actuarial losses for the Group's retirement benefit plans would be brought onto the statement of financial position in the Group's financial statements for the year ended September 30, 2014. On first adoption of the new accounting policy to recognise actuarial gains and losses in full, the comparable statement of financial position as at September 30, 2012 and 2013 will be restated. The impact of this restatement will not be known until the updated valuation of the Plans' assets and liabilities as at September 30, 2012 is produced by the actuaries. However, based on amounts as at September 30, 2011, the impact would be to reduce the Group's retirement benefit asset by \$664,800, to increase the retirement benefit obligation by \$301,600, and to have a corresponding reduction in retained earnings of \$966,400.

Companies will no longer be able to allow for an expected rate of return from the Pension Plan's assets in excess of the discount rate applied to future benefit payments in the calculation of the net pension cost.

Management have not yet assessed the expected impact that the above changes will have on the net pension cost charged to profit for the years 2014 and 2015; these changes will give rise to charges/credits to "other comprehensive income" in those years in relation to movements on total actuarial gains or losses

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

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

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.

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 minority 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.

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

(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.

(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.

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

(c) Jointly controlled entity (continued)

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 cost 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 and development expenditures associated with the production of proved reserves. Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves that were 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.

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 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. Geological and geophysical costs are expensed as incurred. 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 or intangible assets 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.

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 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.

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)

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of. 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 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 developed 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.

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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)

Decommissioning

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.

(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 assets and depreciated over the useful life of the related plant and equipment. 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.

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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 their 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 (specialised)	10%	- straight-line
Computer equipment (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 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 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.

Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding a period of three years (ten years for specialised software).

(c) Other Intangible Assets

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

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.

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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.

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 bank overdrafts and 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.

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 unrecognised actuarial gains or losses and past service costs. 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 in excess of the greater 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to profit or loss over the employees' expected average remaining working lives.

3 Summary of significant accounting policies (continued)

3.14 Employee benefits (continued)

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.

(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 in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to profit or loss over the expected average remaining working lives of the related employees. The Group treats both medical plans as one entity for the purpose of determining the amortisation of excess gains and losses. These obligations are valued annually by independent qualified actuaries.

3.15 Provisions

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

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. (See Note 3.3 (a) for the accounting treatment with respect to the decommissioning for oil and gas and refinery assets).

3.16 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.

3 Summary of significant accounting policies (continued)

3.16 Revenue recognition (continued)

(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.

(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 cashflows 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.

3.17 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.

3.18 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.

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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.

(a) Market risk

(i) Commodity and other price risk

The Group purchases approximately 70% 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 30% 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.

(i) Commodity and other price risk (continued)

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 risk arises 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 September 30, 2010 to September 30, 2011, Management deemed the price risk impact on equity instruments classified as available-for-sale to be immaterial.

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Notes to the Consolidated Financial Statements (continued)

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4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(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.

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	
	2011	2010
Year-end	6.41610	6.31880
Average rate during the year	6.38776	6.34377

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	TT\$	Other	US\$	Total
As at September 30, 2011					
<u>Assets</u>					
Cash in escrow	11	--	--	116,203	116,203
Income taxes recoverable	15	530,683	--	--	530,683
Loans receivable	16	--	--	5,419	5,419
Receivables and prepayments*	18	4,626,828	5	3,170,878	7,797,711
Cash and cash equivalents	19	82,905	--	2,555,566	2,638,471
Financial assets		<u>5,240,416</u>	<u>5</u>	<u>5,848,066</u>	<u>11,088,487</u>
<u>Liabilities</u>					
Borrowings	21	(30,597)	--	(10,106,889)	(10,137,486)
Trade and other payables	23	(1,375,436)	444	(3,356,456)	(4,731,448)
Current tax liabilities		(2,691,641)	--	--	(2,691,641)
Short-term loans	24	--	--	(3,431,191)	(3,431,191)
Financial liabilities		<u>(4,097,674)</u>	<u>444</u>	<u>(16,894,536)</u>	<u>(20,991,766)</u>
<i>* excludes prepayments</i>					
Net currency exposure		1,142,742	449	(11,046,470)	(9,903,279)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		11,427	4	--	11,431

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4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

		As at September 30, 2010			
	Note	TT\$	Other	US\$	Total
<u>Assets</u>					
Cash in escrow	11	--	--	114,434	114,434
Income taxes recoverable	15	530,683	--	--	530,683
Loans receivable	16	--	--	5,867	5,867
Receivables and prepayments*	18	4,575,165	2	53,256	4,628,423
Cash and cash equivalents	19	448,002	--	1,981,619	2,429,621
Financial assets		5,553,850	2	2,155,176	7,709,028
<u>Liabilities</u>					
Borrowings	21	(36,905)	--	(10,440,748)	(10,477,653)
Trade and other payables	23	(957,665)	(3,188)	(2,698,973)	(3,659,826)
Current tax liabilities		(798,099)	--	--	(798,099)
Short-term loans	24	--	--	(1,966,942)	(1,966,942)
Financial liabilities		(1,792,669)	(3,188)	(15,106,663)	(16,902,520)
* <i>excludes prepayments</i>					
Net currency exposure		3,761,181	(3,186)	(12,951,487)	(9,193,492)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		37,612	(32)	--	37,580

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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 every 20 days in 2011 (2010: 59 days), while short term loans had maturities of 28-201 days in 2011 (2010: 88-119 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	
	2011	2010
Fixed Rate Instruments		
Financial Assets	\$ 46,414	\$ 46,197
Financial Liabilities	<u>(13,568,677)</u>	<u>(12,444,595)</u>
	<u>\$ (13,522,263)</u>	<u>\$ (12,398,398)</u>
Variable Rate Instruments		
Financial Assets	\$ 2,719,374	\$ 2,509,291
Financial Liabilities	<u>--</u>	<u>--</u>
	<u>\$ 2,719,374</u>	<u>\$ 2,509,291</u>

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

	Effect on profit after tax	
	Year ended September 30	
	2011	2010
Change in interest rate:		
Increase by 1%	\$ 27,194	\$ 25,093
Decrease by 1%	(27,194)	(25,093)

(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 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 21 for fair value and sensitivity analysis.

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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	
	2011	2010
Local	\$ 6,378,145	\$ 3,729,175
Regional	609,685	391,991
International	<u>653,675</u>	<u>340,884</u>
Gross trade and related parties	<u>\$ 7,641,505</u>	<u>\$ 4,462,050</u>

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

	As at September 30	
	2011	2010
Less than one year trading history*	\$ 19,985	\$ 145
Customers between one and four years trading history*	229,904	168,471
Customer with over four years trading history*	7,218,579	4,213,818
Higher risk	<u>464</u>	<u>--</u>
	<u>\$ 7,468,932</u>	<u>\$ 4,382,434</u>

* excludes higher risk

Included in local revenues arising from direct sales of product is approximately 14.81% (2010: 16.51%) 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 September 30 2011, outstanding receivables from NPMC represented 66.00% (2010: 70.56%) of local receivables and 55.23% (2010: 59.71%) 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

September 30, 2011

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 trade and other receivables balance, excluding prepayments and taxes:

	As at September 30	
	2011	2010
Fully performing	\$ 2,353,858	\$ 1,661,617
Past due but not impaired:		
within 30 days	842,193	537,892
31 to 60 days	584,589	269,282
61 to 90 days	422,386	269,071
over 90 days	3,592,349	1,841,380
Impaired	243,007	164,650
Total	<u>\$ 8,038,382</u>	<u>\$ 4,743,892</u>

The movement in the provision for impairment of receivables is shown below:

	Year ended September 30	
	2011	2010
Balance at start of year	\$ (164,650)	\$ (272,059)
Exchange adjustments	3,090	460
Charge for the year (Note 27)	(81,613)	(88,847)
Receivables written-off during the year as uncollectible	<u>166</u>	<u>195,796</u>
Balance at end of year	<u>\$ (243,007)</u>	<u>\$ (164,650)</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 \$10,561,163 (2010: \$7,134,730).

	Note	As at September 30	
		2011	2010
<u>Assets as per Statement of financial position</u>			
Cash in escrow	11	\$ 116,203	\$ 114,434
Available-for-sale financial instruments	12	5,695	5,566
Loans receivable	16	5,419	5,867
Trade and other receivables excluding prepayments and taxes	18	7,795,375	4,579,242
Cash and cash equivalents	19	<u>2,638,471</u>	<u>2,429,621</u>
		<u>\$ 10,561,163</u>	<u>\$ 7,134,730</u>

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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 coordinates 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 September 30, 2011, the Group has short term credit facilities with various foreign and local banking institutions totalling \$5,433,930, of which the sum of \$1,869,099 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 Moodys and Standard and Poors respectively. The table below presents the financial liabilities payable by the group by remaining contractual maturities at the reporting date.

As at September 30, 2011

	Carrying Values	Total Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
Financial liabilities	\$	\$	\$	\$	\$	\$
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)	(4,147,312)	(4,147,312)	(4,147,312)	--	--	--
Short-term loans	(3,431,191)	(3,431,191)	(3,431,191)	--	--	--
	(17,715,989)	(23,529,323)	(9,191,526)	(1,160,919)	(2,251,192)	(10,925,686)

As at September 30, 2010

	Carrying Values	Total Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
Financial liabilities	\$	\$	\$	\$	\$	\$
Borrowings	(10,477,653)	(17,557,072)	(1,406,754)	(1,305,585)	(2,469,560)	(12,375,173)
Trade and other payables (excluding statutory liabilities)	(3,212,742)	(3,212,742)	(3,212,742)	--	--	--
Short-term loans	(1,966,942)	(1,966,942)	(1,966,942)	--	--	--
	(15,657,337)	(22,736,756)	(6,586,438)	(1,305,585)	(2,469,560)	(12,375,173)

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

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 makes adjustments to it, in light of 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 September 30, 2010 to September 30, 2011.

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 on the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown on 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, BBB credit rating and financial ratio covenants during 2011.

Gearing Ratio

	As at September 30	
	2011	2010
Total borrowings	\$ 13,568,677	\$12,444,595
Less: Cash and cash equivalents	<u>(2,638,471)</u>	<u>(2,429,621)</u>
Net debt	10,930,206	10,014,974
Total equity	<u>12,283,114</u>	<u>9,882,532</u>
Total capital	<u>\$ 23,213,320</u>	<u>\$19,897,506</u>
Gearing ratio	47.09%	50.33%

The reduction in the gearing ratio was primarily due to a higher net income generated in fiscal 2011. This was partly offset by an increase in short-term borrowings.

	As at September 30	
	2011	2010
Credit rating (S&P)	BBB	BBB

Caribbean Oil Purchase Company Limited (COPCO) Notes covenants which are required to be computed on the borrower's (Petrotrin unconsolidated) results.

	As a September 30			
	2011		2010	
	Actual	Required	Actual	Required
Debt to equity	0.82	≤ 1.20	1.05	≤ 1.20
Debt Service Coverage	4.23	≥ 1.40	1.92	≥ 1.40
Tangible Net Worth	\$17,686,037	> \$3,845,731	\$14,458,108	> \$3,845,731

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 the 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 based on the related 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 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.

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 developed 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 reserves decreases depreciation, and amortisation expense. On the contrary, a decrease in estimated proved reserves increases depreciation, depletion and amortisation expense.

Also, estimated 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.

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 that the events and circumstances that triggered the original impairment have changed.

Estimates of future cash flows are based on management 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 asset removal costs is difficult and requires Management to make estimates and judgments because most of the removal obligations are many years in the future and contracts and regulations often have 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 an equal 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 22).

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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 tax provisions in the period in which such determination is made.

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(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 September 30, 2011							
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 September 30, 2011							
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
Year ended September 30, 2010							
Opening net book amount	875	34,630	35,505	1,922,762	9,131,880	329,663	11,419,810
Exchange differences	(3)	(376)	(379)	(8,760)	(46,699)	(1,865)	(57,703)
Additions	101	36,266	36,367	45,152	3,570,112	150,182	3,801,813
Transfers	(101)	(52,556)	(52,657)	52,657	--	--	--
Disposals	--	--	--	(42)	(173)	(602)	(817)
Depreciation charge	--	--	--	(79,362)	(269,540)	(9,088)	(357,990)
Closing net book amount	872	17,964	18,836	1,932,407	12,385,580	468,290	14,805,113
As at September 30, 2010							
Cost	872	17,964	18,836	5,249,971	15,657,012	623,070	21,548,889
Accumulated depreciation	--	--	--	(3,317,564)	(3,271,432)	(154,780)	(6,743,776)
Net book amount	872	17,964	18,836	1,932,407	12,385,580	468,290	14,805,113

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6 Property, Plant and Equipment (continued)

Depreciation expense of \$548,360 (2010: \$348,902) has been charged in cost of sales, while \$11,518 (2010: \$9,088) has been charged in other operating expenses. No impairment losses were recorded in year ended September 30, 2011 (2010: \$537), however, included in production assets is a reversal of previous impairment of \$53,541 (2010: \$18,973).

Costs not subject to depreciation totalled \$12,060,989 (2010: \$8,550,141). These are assets under construction in Refining and Marketing and Corporate as well as Exploration and Evaluation and Development costs.

	As at September 30	
	2011	2010
Asset under construction (excluding Exploration and Evaluation and Development costs)		
Production assets	\$ 451,131	\$ 276,641
Refining and Marketing assets	11,715,090	8,248,843
Other Business and Corporate assets	310,004	282,662

Included in Refining and Marketing assets is an amount of \$838,664 (2010: \$947,634) capitalised in respect of specific borrowing costs. These are actual borrowing costs incurred on financing for the Gasoline Optimisation and Ultra Low Sulphur Diesel projects (Note 21) during the year, less any investment income earned on the temporary investment of these borrowings.

Included in development assets and Refining and Marketing is interest capitalised on general borrowings of \$29,021 (2010: \$7,174) and \$15,510 (2010: \$36,478) respectively. The capitalisation rate on general borrowings is 2.10% (2010: 2.46%).

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Notes to the Consolidated Financial Statements (continued)

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7 Intangible Assets

	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	4,303,362	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 September 30, 2011

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

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended September 30, 2010								
Opening net book amount	47,080	176,052	223,132	252,656	4,181,628	291,593	35,096	4,984,105
Exchange differences	(426)	(1,805)	(2,231)	(2,064)	(20,420)	(865)	(184)	(25,764)
Additions	105,510	358,396	463,906	--	148,158	--	6,567	618,631
Revised decommissioning cost	--	--	--	--	367,718	99,952	--	467,670
Transfers	(19,678)	(269,825)	(289,503)	--	289,503	--	--	--
Amortisation	--	--	--	--	(663,225)	(37,753)	(8,463)	(709,441)
Closing net book amount	132,486	262,818	395,304	250,592	4,303,362	352,927	33,016	5,335,201

As at September 30, 2010

Cost	132,486	262,818	395,304	385,017	11,630,138	753,684	136,663	13,300,806
Accumulated amortisation	--	--	--	(134,425)	(7,326,776)	(400,757)	(103,647)	(7,965,605)
Net book amount	132,486	262,818	395,304	250,592	4,303,362	352,927	33,016	5,335,201

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Notes to the Consolidated Financial Statements (continued)

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7 Intangible Assets (continued)

Amortisation expense of \$765,257 (2010:\$700,978) has been charged in cost of sales while \$6,727 (2010:\$8,463) has been charged to other operating expenses. No impairment losses were recorded in the year ended September 30, 2011. However, included in amortisation in the year ended September 30, 2010 is an impairment loss and reversal of previous impairment of \$1,988 and \$3,791 respectively, in respect of production assets.

Costs not subject to amortisation totalled \$602,780 (2010: \$395,304). Included in production assets is an amount of \$23,188 (2010:\$13,075) in respect of assets under construction and a net amortised amount of \$639,046 (2010: \$641,463) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to nineteen (19) years. Included in refining and marketing assets is a net amortised amount of \$252,846 (2010: \$317,136) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to seventeen (17) years.

Included in development assets is interest capitalised on general borrowings of \$36,193 (2010: \$23,423). The capitalisation rate on general borrowings is 2.10% (2010: 2.46%).

(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\$88.45/TT\$566.02 and price per mscf of natural gas of *US\$1.17/TT\$7.51, estimated using the market assumptions of the Group's 2012-2016 Budget and 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 8.91% 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 September 30, 2011 is \$253,308.

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 September 30, 2011 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 8.91%. 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 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;

No impairment losses were recognised in the year ended September 30, 2011 (2010: \$2,525), however, the Group recorded a reversal of previously recognised impairment charges of \$53,541 (2010: \$22,764) with respect to four cash generating units. 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.

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

8 Impairment of fixed assets (continued)

No exploration and evaluation expenditure was written off in the Statement of Comprehensive Income in the years ended September 30, 2011 and September 30, 2010.

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\$9.75 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 8.91%.

Refining and marketing recoverable amount exceeds its carrying amount by \$1,227,167. Based on sensitivity analysis, a change of 1% in the cost of capital would change the value in use by \$2,821,544. A change in gross margin of *US\$0.50/bbl would change the value in use by \$1,617,833.

*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

There were no costs related exploration activities that were expensed in the year ended September 30, 2011 (2010: \$345).

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

	As at September 30	
	2011	2010
Payable to contractors and operators	\$ 7,533	\$ 295

	Year ended September 30	
	2011	2010
Net cash used in operating activities	\$ --	\$ (345)
Net cash used in investing activities	\$ (199,215)	\$ (56,349)

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement Benefit Asset/ (Obligation)

The majority of the Group's employees participated in one of the Group's eight pension plans (the Plans) which Petrotrin inherited from its predecessor Companies. The members of seven of these plans are represented by the Oilfield Workers' Trade Union (OWTU) and the members of the other Plan, The Staff Pension Plan (SPP), are represented by the National Petroleum Staff Association (NPSA).

On December 17, 2003 Petrotrin and the OWTU signed a Memorandum of Agreement regarding various benefit improvements to be made in the Pension Plans. The OWTU has no representation amongst the members of the SPP and so this Memorandum of Agreement did not apply to that Plan. However, Petrotrin and the NPSA signed a subsequent Memorandum of Agreement dated July 21, 2004, which confirmed that the same benefit improvements would apply in the SPP as well.

Petrotrin initially sought support/approval from Corporation Sole and line Minister for merger of the Pension Plans through an Act of Parliament in December 2004. This process would allow the transfer of the assets of the seven Pension Plans to a new Pension Plan, called the Petrotrin Employees' Pension Plan (PEPP), established under statute. However, the Pensions Act was only proclaimed by the President of the Republic of Trinidad and Tobago on February 07, 2011.

Following this proclamation, the merger of seven (7) of the Group's earlier existing plans into a single plan became operational. The major clauses /benefits of the Petrotrin Pensions Bill, 2010 are as follows:

- The plan would take over the payment of all benefits previously in payment by the former Plans
- All members of the former Plans would automatically become members of the Plan with all of their accrued pension entitlements being transferred to the Plan
- All of the former Plans' assets would be transferred to the Petrotrin Employees' Pension Plan
- The former Plans will then be wound up
- Reduced administration costs through elimination of duplicate functions
- All members benefits will be evenly funded

The Plans are of the defined benefit type. 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 established under Trust with the following Trustees:

Pension Plan	Membership	Trustee
Petrotrin Employees' Pension Plan (PEPP) – The newly merged plan	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	RBTT Trust Limited

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement Benefit Asset/ (Obligation) (continued)

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 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). Employer's contributions are certified by the Plans' independent qualified actuary. For the year ended September 30, 2011, the employer's contribution rate was 14% of pensionable pay for PEPP and SPP.

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.
- death benefit equal to 3 months basic earnings at time of retirement and a lump sum benefit paid on death in service equivalent to four (4) year's salaries plus COLA.
- 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 September 30, 2010 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 September 30, 2010 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 Group. 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 September 30, 2011 was carried out by independent actuaries in accordance with the requirements of IAS 19. This valuation is based on the most recent full actuarial valuation at September 30, 2010 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. In calculating the charge to profit or loss including any recognised actuarial gains and losses, a 10% corridor was applied. This means that a portion of actuarial gains and losses is recognised as income or expense only if, at the start of a financial year, it exceeds the greater of:

- a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- b) 10% of the fair value of any plan assets at that date.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10. Retirement Benefit Asset/(Obligation) (continued)

These limits are calculated and applied separately for the PEPP and the other plan, (SPP) at each reporting date and the portion of actuarial gains and losses to be recognised in future years for each plan is the excess of actuarial gains and losses over and above the 10% limits divided by the expected average remaining working lives of the employees participating in that plan. 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. In the case of the medical plans the Group has treated both retiree Plans as one entity for the purpose of determining the amortisation of excess gains and losses.

		As at September 30	
		2011	2010
Asset/(obligation) in statement of financial position:			
Retirement benefit asset - Pension benefits	(a)	\$ 1,557,600	\$ 1,675,000
Retirement benefit obligation - medical benefits	(b)	<u>(1,554,100)</u>	<u>(1,456,000)</u>
		<u>\$ 3,500</u>	<u>\$ 219,000</u>
Expense recognised in profit or loss:			
Net pension cost	(a)	\$ (250,900)	\$ (205,100)
Net benefit cost	(b)	<u>(167,400)</u>	<u>(189,000)</u>
		<u>\$ (418,300)</u>	<u>\$ (394,100)</u>

(a) Retirement benefit asset - Pension benefits

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

	As at September 30	
	2011	2010
Defined benefit obligation	\$ (8,056,900)	\$ (8,034,200)
Fair value of plan assets	<u>9,416,900</u>	<u>8,798,200</u>
Surplus	1,360,000	764,000
Unrecognised actuarial losses	664,800	1,186,100
Un-utilisable assets	<u>(467,200)</u>	<u>(275,100)</u>
Asset in statement of financial position	<u>\$ 1,557,600</u>	<u>\$ 1,675,000</u>

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

Change in defined benefit obligation:

	As at September 30	
	2011	2010
Defined benefit obligations at start of year	\$ (8,034,200)	\$ (6,611,600)
Service cost	(203,700)	(189,100)
Interest cost	(487,400)	(498,500)
Members' contributions	(70,000)	(63,100)
Past service cost	(1,200)	(283,000)
Actuarial gains/(losses)	255,300	(765,400)
Benefits paid	479,300	366,800
Expense allowance	<u>5,000</u>	<u>9,700</u>
Defined benefit obligation at end of year	<u>\$ (8,056,900)</u>	<u>\$ (8,034,200)</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2011****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)**

	As at September 30	
	2011	2010
Plan assets at start of year	\$ 8,798,200	\$ 8,348,900
Expected return on Plan assets	591,500	689,600
Actuarial gains/(losses)	308,000	(54,200)
Company contributions	133,500	127,300
Members' contributions	70,000	63,100
Benefits paid	(479,300)	(366,800)
Expense allowance	<u>(5,000)</u>	<u>(9,700)</u>
Plan assets at end of year	<u>\$ 9,416,900</u>	<u>\$ 8,798,200</u>

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

	Year ended September 30	
	2011	2010
At start of year	\$ 1,675,000	\$ 1,752,800
Net pension cost	(250,900)	(205,100)
Contributions paid	<u>133,500</u>	<u>127,300</u>
At end of year	<u>\$ 1,557,600</u>	<u>\$ 1,675,000</u>

Contributions to post-employment benefit plans for the year ending September 30, 2012 are expected to be approximately \$135,900.

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

	As at September 30	
	2011	2010
Current service cost	\$ (203,700)	\$ (189,100)
Interest on defined benefit obligation	(487,400)	(498,500)
Expected return on plan assets	591,500	689,600
Past service cost	(1,200)	(283,000)
Adjustment for un-utilisable asset	(192,100)	167,700
Amortised net gains/(losses)	<u>42,000</u>	<u>(91,800)</u>
Total (Note 27)	<u>\$ (250,900)</u>	<u>\$ (205,100)</u>

Actuarial gains and losses recognised in profit or loss:

	As at September 30	
	2011	2010
Amount accumulated in retained earnings at start of year	\$ (5,200)	\$ 86,600
Recognised during the year	<u>42,000</u>	<u>(91,800)</u>
Amount accumulated in retained earnings at end of year	<u>\$ 36,800</u>	<u>\$ (5,200)</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

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)

The actual return on the Plan assets was:

	As at September 30	
	2011	2010
Expected return on Plan assets	\$ 591,500	\$ 689,600
Actuarial gains/(losses) on Plan assets	<u>308,000</u>	<u>(54,200)</u>
Actual return on Plan assets	<u>\$ 899,500</u>	<u>\$ 635,400</u>

The Plans' assets are fully invested in a diversified general portfolio fund managed by the various Trustees.

	As at September 30	
	2011	2010
Equity securities	39.4%	37.0%
Debt securities	47.7%	53.0%
Other	<u>12.9%</u>	<u>10.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The expected rate of return on assets is set by reference to estimated long-term returns on assets held by the Plan at the reporting date. Allowance is made for some excess performance from the Plan's equity portfolio.

The principal actuarial assumptions used were as follows*:

	As at September 30	
	2011	2010
Discount rate	6.25%	6.25%
Expected return on plan assets	6.82%	6.83%
Future salary increases	5.50%	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 1% 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

September 30, 2011

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:

	As at September 30	
	2011	2010
Male	21	21
Female	25	25

Experience history:

	As at September 30				
	2011	2010	2009	2008	2007
Defined benefit obligation	(8,056,900)	(8,034,200)	(6,611,600)	(5,964,300)	(5,559,000)
Fair value of Plan assets	<u>9,416,900</u>	<u>8,798,200</u>	<u>8,348,900</u>	<u>8,444,800</u>	<u>7,803,800</u>
Surplus	<u>1,360,000</u>	<u>764,000</u>	<u>1,737,300</u>	<u>2,480,500</u>	<u>2,244,800</u>
Experience adjustments:					
(Gain)/loss on Plan liabilities	(255,300)	(28,500)	(59,900)	(49,600)	195,300
Gain/(loss) on Plan assets	308,000	(54,200)	(737,900)	9,200	210,000

(b) Retirement benefit obligation - medical benefits

The amounts recognised in the statement of financial position were determined as follows:

	As at September 30	
	2011	2010
Defined benefit obligation	\$ (1,855,700)	\$ (1,785,700)
Unrecognised actuarial losses	<u>301,600</u>	<u>329,700</u>
Liability in statement of financial position	<u>\$ (1,554,100)</u>	<u>\$ (1,456,000)</u>

Change in defined benefit obligation:

Defined benefit obligations at start of year	\$ (1,785,700)	\$ (1,687,800)
Service cost	(44,400)	(44,900)
Interest cost	(109,300)	(128,100)
Actuarial gains/(losses)	14,400	(1,300)
Benefits paid	<u>69,300</u>	<u>76,400</u>
Defined benefit obligations at end of year	<u>\$ (1,855,700)</u>	<u>\$ (1,785,700)</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2011****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)**

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

	As at September 30	
	2011	2010
At start of year	\$ (1,456,000)	\$ (1,343,400)
Net benefit cost	(167,400)	(189,000)
Benefits paid	<u>69,300</u>	<u>76,400</u>
At end of year	<u>\$ (1,554,100)</u>	<u>\$ (1,456,000)</u>

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

	Year ended September 30	
	2011	2010
Current service cost	\$ (44,400)	\$ (44,900)
Interest cost	(109,300)	(128,100)
Amortised net loss	<u>(13,700)</u>	<u>(16,000)</u>
Total (Note 27)	<u>\$ (167,400)</u>	<u>\$ (189,000)</u>

Actuarial gains and losses recognised in profit or loss:

	Year ended September 30	
	2011	2010
Amount accumulated in retained earnings at start of year	\$ (58,200)	\$ (42,200)
Recognised during the year	<u>(13,700)</u>	<u>(16,000)</u>
Amount accumulated in retained earnings at end of year	<u>\$ (71,900)</u>	<u>\$ (58,200)</u>

The effects of a 1% movement in the assumed medical expenses trend rate are as follows:

	2011		2010	
	Increase	Decrease	Increase	Decrease
Effect on aggregate current service and interest costs	\$ 30,100	\$ (23,700)	\$ 33,800	\$ (26,700)
Effect on year-end defined benefit obligation	294,400	(239,100)	286,500	(232,200)

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September 30, 2011

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)

Experience history:

	2011	2010	2009	2008	2007
Experience (gain)/loss on Plan liabilities	\$(14,400)	\$ 5,700	\$(6,400)	\$42,600	\$62,900

The principal actuarial assumptions used were as follows*:

	As at September 30	
	2011	2010
Discount rate	6.25%	6.25%
Medical expenses increases	5.75%	5.75%

* Rates shown are per annum.

11 Cash In Escrow

	As at September 30	
	2011	2010
COPCO Bankers Trust Liquid Account	\$ 80,903	\$ 79,670
COPCO Collection Account	<u>35,300</u>	<u>34,764</u>
	<u>\$ 116,203</u>	<u>\$ 114,434</u>

These deposits are held for the benefit of the Noteholders and MBIA Insurance Corporation in accordance with their respective interests as part of the collateral associated with the Notes issued by COPCO. (See Note 21(b)).

The deposit at Bankers Trust Liquid account will be held in escrow until its maturity on January 15, 2014. At September 30, 2011, the weighted average effective interest rate on this account was 0.007% (2010: 0.008%). This deposit is rated Aa3 by Moody's.

The COPCO collection account is a non-interest earning deposit account.

The COPCO notes were redeemed on January 17, 2012 and all outstanding funds were deposited in Petrotrin's account (See Note 37 (d)).

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Notes to the Consolidated Financial Statements (continued)

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12 Available-for-sale financial instruments

	As at September 30	
	2011	2010
La Brea Industrial Development Company Limited (LABIDCO)	\$ 3,981	\$ 3,920
Colonial Life Insurance Company Limited (CLICO)	1,521	1,456
Metal Industries Company Limited	192	189
Lake Asphalt of Trinidad and Tobago (1975) Limited (LATT)	<u>1</u>	<u>1</u>
	<u>\$ 5,695</u>	<u>\$ 5,566</u>

There were no disposals during the year. In the year ended September 30, 2011 a reversal of a previous impairment loss of \$65 was recorded (impairment loss: \$1,097). These investments are not rated.

13 Investment In Jointly Controlled Entity

	As at September 30	
	2011	2010
World GTL Trinidad Limited (WGTL TL)	<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 September 25, 2009. The asset was fully impaired in the year ended September 30, 2009. No additional impairment losses or reversals of previous impairment losses were recorded in the years ended September 30, 2010 and September 30, 2011.

No financial statements were received from WGTL Trinidad Ltd for the years ending September 30, 2010 and September 30, 2011. Therefore, Petrotrin's share of losses/profits could not be determined.

On February 1, 2011, the Receiver published a notice advertising the sale of an unfinished gas-to-liquids plant and other assets of World GTL TL. (See Note 37 (c)).

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September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

14 Net Deferred Income Tax 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	
	2011	2010
At start of year:	(1,439,883)	(1,514,716)
(Charge)/Credit for the year (Note 31)	<u>(342,856)</u>	<u>74,833</u>
At end of year	<u>\$ (1,782,739)</u>	<u>\$ (1,439,883)</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 September 30, 2010	(Charged)/ credited to Profit or Loss	As at September 30, 2011
	\$	\$	\$
Deferred income tax assets			
Retirement benefit obligation	777,504	52,386	829,890
Provision for abandonment	1,861,513	174,520	2,036,033
Vacation leave payable	72,209	1,714	73,923
Interest payable	351,649	13,240	364,889
Tax losses carried forward	<u>2,499,662</u>	<u>602,439</u>	<u>3,102,101</u>
	<u>5,562,537</u>	<u>844,299</u>	<u>6,406,836</u>
Deferred income tax liabilities			
Accelerated tax depreciation (E&P)	(2,165,159)	554	(2,164,605)
Accelerated tax depreciation (R&M)	(3,929,032)	(1,326,581)	(5,255,613)
Retirement benefit asset	(894,450)	62,692	(831,758)
Exchange gain	<u>(13,779)</u>	<u>76,180</u>	<u>62,401</u>
	<u>(7,002,420)</u>	<u>(1,187,155)</u>	<u>(8,189,575)</u>
Net deferred income tax liabilities	<u>(1,439,883)</u>	<u>(342,856)</u>	<u>(1,782,739)</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2011****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****14 Net Deferred Income Tax Liabilities (continued)**

	As at September 30, 2009	(Charged)/ credited to Profit or Loss	As at September 30, 2010
	\$	\$	\$
Deferred income tax assets			
Retirement benefit obligation	717,376	60,128	777,504
Provision for abandonment	1,491,256	370,257	1,861,513
Vacation leave payable	72,399	(190)	72,209
Interest payable	324,614	27,035	351,649
Accelerated book depreciation	940	(940)	--
Tax losses carried forward	1,307,820	1,191,842	2,499,662
Exchange loss	<u>37,552</u>	<u>(37,552)</u>	<u>--</u>
	<u>3,951,957</u>	<u>1,610,580</u>	<u>5,562,537</u>
Deferred income tax liabilities			
Accelerated tax depreciation (E&P)	(1,882,498)	(282,661)	(2,165,159)
Accelerated tax depreciation (R&M)	(2,633,245)	(1,295,787)	(3,929,032)
Retirement benefit asset	(935,995)	41,545	(894,450)
Exchange gain	<u>(14,935)</u>	<u>1,156</u>	<u>(13,779)</u>
	<u>(5,466,673)</u>	<u>(1,535,747)</u>	<u>(7,002,420)</u>
Net deferred income tax liabilities	<u>(1,514,716)</u>	<u>74,833</u>	<u>(1,439,883)</u>

15 Income taxes recoverable

	As at September 30 2011	2010
	<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 unutilised tax losses.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

16 Loans Receivable

	As at September 30	
	2011	2010
(a) Point Fortin LNG Exports Limited	\$ 5,419	\$ 5,867
(b) World GTL Trinidad Limited (WGTL TL)	--	--
(c) World GTL Inc.	--	--
(d) World GTL Trinidad Limited (WGTL TL) in receivership	--	--
	<u>\$ 5,419</u>	<u>\$ 5,867</u>
<i>of which:</i>		
Current portion	\$ 2,502	\$ 1,232
Non-current portion	<u>2,917</u>	<u>4,635</u>
At end of year	<u>\$ 5,419</u>	<u>\$ 5,867</u>
Beginning of year	\$ 5,867	\$ 756,781
Disbursements	32,324	268,809
Impairment loss (Note 28)	(139,292)	(1,118,377)
Reversal of previous Impairment losses (Note 28)	688	939
Interest (Note 27)	106,968	107,067
Recoveries	(1,249)	(618)
Exchange differences	<u>113</u>	<u>(8,734)</u>
End of year	<u>\$ 5,419</u>	<u>\$ 5,867</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 May 1, 2002, 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\$64,160) for an initial period to June 30, 2009 with any outstanding amounts being repayable in full by December 31, 2009. A further extension of the term of this Facility was requested by the PFLE Board of Directors from December 1, 2009 to December 31, 2015, with three instalments being paid to date in December 2009, December 2010 and December 2011 respectively. The remaining balance will be repaid as cash becomes available. The carrying value of this loan as at September 30, 2011 was US\$737/TT\$4,731 while its fair value was US\$845/TT\$5,419. A partial reversal of impairment loss of US\$108/TT\$688 was made to profit in financial year 2011(2010: US\$149/TT\$939).
- (b) This loan arose from Petrotrin's settlement on July 07, 2009, 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 September 25, 2009, 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 September 18, 2009. Due to insufficient cash flows and following discussions with management and the receiver, this loan receivable became fully impaired at September 30, 2010 (US\$127,807/TT\$801,936)*. A further provision for impairment was made on interest in arrears recorded for the year ended September 30, 2011(US\$9,226/TT\$58,966).

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

16 Loans Receivable (continued)

- (c) The Guarantee Contribution Agreement of January 12, 2007, 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 draw-downs. 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 September 30, 2009. Further provisions for impairment were made on interest in arrears recorded for the years ended September 30, 2011 and September 30, 2010 of US\$7,514/TT\$48,002* and US\$7,514/TT\$47,632* respectively.
- (d) At a meeting held on November 18, 2009 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. All funds advanced to the receiver will be used to complete the gas-to-liquids plant.

A full provision for impairment was recognised on this loan receivable at September 30, 2010 (US\$42,452/TT\$268,809*). Additional disbursements of US\$5,069/TT\$32,324* were made in the year ended September 30, 2011 and these amounts were also provided for in this financial year.

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

17 Inventories

	As at September 30	
	2011	2010
Materials and supplies	\$ 441,513	\$ 447,857
Less: provision for obsolescence	<u>(76,419)</u>	<u>(74,833)</u>
	365,094	373,024
Crude oil	1,196,312	989,233
Refined products	<u>2,364,368</u>	<u>2,130,789</u>
	<u>\$ 3,925,774</u>	<u>\$ 3,493,046</u>

The Group recognised an increase of \$1,586 (2010: \$21,523) in the provision for obsolescence of its inventories.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

18 Receivables and Prepayments

	As at September 30	
	2011	2010
Trade receivables	\$ 2,937,038	\$ 1,361,686
Less: provision for impairment of trade receivables	<u>(19,958)</u>	<u>(4,989)</u>
	<u>2,917,080</u>	<u>1,356,697</u>
Related Parties	4,704,467	3,100,364
Less: provision for impairment of receivables	<u>(152,615)</u>	<u>(74,627)</u>
	<u>4,551,852</u>	<u>3,025,737</u>
Other receivables	396,877	281,842
Less: provision for impairment of other receivables	<u>(70,434)</u>	<u>(85,034)</u>
	<u>326,443</u>	<u>196,808</u>
Trade and other receivables excluding prepayments and taxes	7,795,375	4,579,242
Taxes recoverable	2,336	49,181
Prepayments	<u>197,284</u>	<u>138,529</u>
Trade and other receivables including prepayments and taxes	<u>\$ 7,994,995</u>	<u>\$ 4,766,952</u>

19 Cash and Cash Equivalents

	As at September 30	
	2011	2010
Cash at bank and in hand	\$ 189,384	\$ 530,324
Short-term bank deposits	<u>2,449,087</u>	<u>1,899,297</u>
	<u>\$ 2,638,471</u>	<u>\$ 2,429,621</u>

The weighted average effective interest rate on short-term deposits was 0.33% (2010: 0.47%). These deposits have an average maturity of twenty days (2010: fifty-nine days).

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

20 Share Capital

	As at September 30	
	2011	2010
Authorised		
300,000,000 ordinary shares of no par value (2010: 300,000,000 ordinary shares of no par value)		
Issued and fully paid		
300,000,000 ordinary shares of no par value (2010: 300,000,000 ordinary shares of no par value)		
	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>

21 Borrowings

The carrying amounts of borrowings are stated below:

	As at September 30	
	2011	2010
Gasoline Optimisation Project /Ultra Low Sulfur Diesel Plant	(a) \$ 5,378,983	\$ 5,291,953
Gasoline Optimisation Project	(a) 4,367,637	4,689,131
Notes Issued by COPCO under the terms of a forward sale contract	(b) 315,343	418,690
Other	(c) <u>75,523</u>	<u>77,879</u>
Total borrowings (at fixed rates)	<u>\$ 10,137,486</u>	<u>\$ 10,477,653</u>
<i>of which:</i>		
Current portion	\$ 784,998	\$ 573,737
Non-current portion	<u>9,352,488</u>	<u>9,903,916</u>
	<u>\$ 10,137,486</u>	<u>\$ 10,477,653</u>
Maturity of non-current borrowings		
Later than 1 and less than 3 years	\$ 789,692	\$ 1,020,226
Between 3 and 4 years	395,632	456,187
5 years and over	<u>8,167,164</u>	<u>8,427,503</u>
	<u>\$ 9,352,488</u>	<u>\$ 9,903,916</u>

Weighted average effective interest rates:

	Year ended September 30	
	2011	2010
- bank borrowings (medium and long-term)	8.07%	7.99%

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

21 Borrowings (continued)

The fair value of borrowings are stated below:

	As at September 30	
	2011	2010
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	\$ 6,514,355	\$ 6,098,345
Gasoline Optimisation Project	4,405,151	5,186,665
Notes Issued by COPCO under the terms of a forward sale contract	315,343	460,077
Other	<u>75,523</u>	<u>77,879</u>
	<u>\$ 11,310,372</u>	<u>\$ 11,822,966</u>

The fair value of borrowings was derived by discounting all future cash flows at prevailing market interest rates that ranged from 6.59% to 6.73% (2010: 1.92% to 7.80%). 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 by adding the US Treasury rate for the average life of the bond plus Petrotrin's credit spread which is taken from Bloomberg's screen shot of the yield to average life (YTAL) 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	
	2011	2010
Increase by 1%	\$	\$
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	(353,342)	(352,115)
Gasoline Optimisation Project	(176,686)	(235,358)
Notes Issued by COPCO under the terms of a forward sale contract	--	(7,489)
Other	<u>--</u>	<u>--</u>
	<u>(530,028)</u>	<u>(594,962)</u>
Decrease by 1%		
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	379,887	381,101
Gasoline Optimisation Project	188,912	253,634
Notes Issued by COPCO under the terms of a forward sale contract	--	7,680
Other	<u>--</u>	<u>--</u>
	<u>568,799</u>	<u>642,415</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

21 Borrowings (continued)

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

Description	US\$850 Million	US\$750 Million
Carrying Value as at 2011 Sept 30	TT\$5,378,983	TT\$4,367,637
Carrying Value as at 2010 Sept 30	TT\$5,291,953	TT\$4,689,131
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	August 14,2009	May 08,2007
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 August 14,2009	Payable semi-annually on May 08 and November 08 commencing May 08,2007
Principal repayments	Bullet	24 equal semi-annual instalments on each May 08 and November 08 of US\$31,250/TT\$200,503 beginning November 08,2010
Maturity	August 14,2019	May 8,2022
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 Sulfur 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 Catalyst Regeneration Platforming Unit (CCR), an Alkylation Unit/Acid Plant and all associated utilities and offsites. The project is estimated to be completed by June 2012.

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. The project is estimated to be completed by December 2012.

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

Petrotrin is required to furnish to the Trustee and Holders of the Notes, its quarterly and annual audited financial statements. The former is due within 60 calendar days after the end of each of the first three financial quarters and the latter within 150 calendar days after the end of each fiscal year. Failure to comply with the above reporting requirement does not constitute an event of default in accordance with loan documentation.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

21 Borrowings (continued)

(b) Notes Issued by COPCO

	As at September 30	
	2011	2010
Notes Issued by COPCO	<u>\$ 315,343</u>	<u>\$ 418,690</u>

Caribbean Oil Purchase Company Limited (COPCO), issued US\$150 million Senior Notes under 144A/Reg S offering on December 28, 2001 at a fixed interest rate of 6.88% for a tenor of 12 years. Both interest and principal are payable quarterly on each January 15, April 15, July 15, and October 15 based on an amortization schedule. Payment of interest and principal commenced on April 15, 2002 and on January 15, 2004 respectively.

COPCO is an exempted limited liability company incorporated under the laws of the Cayman Islands for purposes of issuing the Notes for the benefit of Petrotrin. Petrotrin is therefore obliged to meet the payments on the Notes. This obligation is met through a fuel oil forward sale agreement with COPCO. All of the issued shares in COPCO are beneficially held in trust on behalf of the Noteholders. In accordance with SIC 12 - Consolidation - Special Purpose Entities the assets and liabilities of COPCO have been reflected in the Group Financial Statements of Petrotrin.

Payment of principal and interest on the Notes are guaranteed by MBIA Insurance Corporation (MBIA) and were rated "AAA" by Standard and Poor's, and "Aaa" by Moody's Investors Service Inc. at the time of issue. (See Note 11).

Petrotrin is required to satisfy certain covenants under this arrangement (See Note 4.2).

Petrotrin redeemed the COPCO notes on January 17, 2012. (See Note 37 (d)).

(c) Other

	As at September 30	
	2011	2010
The National Gas Company of Trinidad and Tobago Limited	<u>\$ 75,523</u>	<u>\$ 77,879</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

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22 Provisions

Decommissioning Costs

	As at September 30	
	2011	2010
At start of year	\$ 3,480,549	\$ 2,807,919
Revised costs estimates	49,149	467,667
Charge to income statement:		
- Finance charge (Note 30)	271,778	237,437
- Utilisation	(6,484)	(21,264)
Translation differences	<u>54,510</u>	<u>(11,210)</u>
At end of year	<u>\$ 3,849,502</u>	<u>\$ 3,480,549</u>
<i>of which:</i>		
Current portion	19,507	4,247
Non-current portion	<u>3,829,995</u>	<u>3,476,302</u>
At end of year	<u>3,849,502</u>	<u>3,480,549</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 8.91% (2010: 7.88 %) per annum. The increase in decommissioning costs in the year ended September 30, 2011 is mainly due to revised cost structures (\$131,709), partly offset by a higher discount rate (\$82,509). The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be between 2012 and 2030.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

23 Trade And Other Payables

	As at September 30	
	2011	2010
Trade payables	\$ 1,341,985	\$ 1,015,726
Due to related parties	262,584	267,940
Benefits due to employees	1,053,156	616,206
Accrued expenses	1,203,586	1,020,443
Accrued interest	197,905	191,871
Other payables	<u>88,096</u>	<u>100,556</u>
Trade and other payables excluding statutory liabilities	4,147,312	3,212,742
Due to Government of Trinidad and Tobago		
- Royalties	299,086	222,937
- Taxes other than income taxes	<u>285,050</u>	<u>224,147</u>
Trade and other payables including statutory liabilities	<u>\$ 4,731,448</u>	<u>\$ 3,659,826</u>

24 Short-Term Loans

Short-term loans	<u>\$ 3,431,191</u>	<u>\$ 1,966,942</u>
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Short-term loans during the year were unsecured with effective interest rates ranging from 1.04% to 1.90% (2010: 0.79% to 2.16%) per annum. They had varying maturity dates of 28 to 201 days (2010: 88 to 119 days).

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

25 Revenue

	Year ended September 30	
	2011	2010
Refined products sales	\$ 34,728,815	\$ 24,261,837
Natural gas sales	733,921	616,699
Crude oil sales	518,229	432,172
Royalty income	834,157	615,046
Natural gas liquids sales	93,910	15,328
Other	<u>943</u>	<u>1,332</u>
	<u>\$ 36,909,975</u>	<u>\$ 25,942,414</u>

26 Other Operating Income

Marine income	\$ 52,462	\$ 54,449
Processing fees	4,073	4,954
Income from utilities	33,471	23,717
Interest on receivables	83,785	45,312
Other income	<u>16,590</u>	<u>15,027</u>
	<u>\$ 190,381</u>	<u>\$ 143,459</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2011****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****27 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 September 30, 2011				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other Operating expenses	
	\$	\$	\$	\$	\$
Purchases	23,221,045	--	--	--	23,221,045
Production taxes	3,643,756	--	--	--	3,643,756
Employee benefits expense (excluding retirement benefits) (Note 29)	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
Loss on disposal of property, plant and equipment and intangible assets (Note 36)	--	(214)	--	1,463	1,249
Net benefit cost (Note 10)	--	167,400	--	--	167,400
Gain on foreign currency exchange	--	--	--	49,132	49,132
Charge for bad and doubtful debts (Note 4.1 (b))	83,294	(1,681)	--	--	81,613
Directors and key management remuneration (Note 34)	--	6,737	--	--	6,737
Increase in provision for inventory obsolescence (Note 17)	(922)	2,508	--	--	1,586
Interest on loan receivable (Note 16)	--	(106,968)	--	--	(106,968)
Net pension cost (Note 10)	--	250,900	--	--	250,900
Other expenses	<u>83,740</u>	<u>53,634</u>	<u>57,774</u>	<u>(2,000)</u>	<u>193,148</u>
Total	<u>30,833,828</u>	<u>1,186,440</u>	<u>118,330</u>	<u>66,840</u>	<u>32,205,438</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2011****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****27 Operating costs by nature (continued)**

	Year ended September 30, 2010				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other Operating expenses	
	\$	\$	\$	\$	\$
Purchases	16,882,171	--	--	--	16,882,171
Production taxes	2,847,604	--	--	--	2,847,604
Employee benefits expense (excluding retirement benefits) (Note 29)	1,083,478	618,855	50,292	--	1,752,625
Production and refining expenses	1,270,369	--	--	--	1,270,369
Movement in inventories	(817,903)	--	--	--	(817,903)
Amortisation of intangible assets (Note 7)	700,978	--	--	8,463	709,441
Depreciation (Note 6)	348,902	--	--	9,088	357,990
Operating lease rental	323,064	12,970	867	--	336,901
(Gain) / loss on disposal of property, plant and equipment and intangible assets (Note 36)	--	415	--	215	630
Net benefit cost (Note 10)	--	189,000	--	--	189,000
Loss on foreign currency exchange	--	--	--	(3,172)	(3,172)
Charge for bad and doubtful debts (Note 4.1(b))	88,106	741	--	--	88,847
Directors and key management remuneration (Note 34)	--	6,819	--	--	6,819
Increase in provision for inventory obsolescence (Note 17)	3,402	18,121	--	--	21,523
Interest on loan receivable (Note 16)	--	(107,067)	--	--	(107,067)
Net pension cost (Note 10)	--	205,100	--	--	205,100
Other expenses	<u>66,441</u>	<u>85,570</u>	<u>66,971</u>	<u>(1,272)</u>	<u>217,710</u>
Total	<u>22,796,612</u>	<u>1,030,524</u>	<u>118,130</u>	<u>13,322</u>	<u>23,958,588</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

28 Impairment Losses

	Year ended September 30	
	2011	2010
Impairment loss related to loans receivable:		
- World GTL Inc.	48,002	47,632
- WGTL TL	58,966	801,936
- WGTL TL in receivership	<u>32,324</u>	<u>268,809</u>
17	<u>139,292</u>	<u>1,118,377</u>
Impairment loss related to other investments:		
- CLICO	<u>(65)</u>	<u>1,097</u>
Reversal of previous impairment losses:		
- PFLE	<u>(688)</u>	<u>(939)</u>
	<u>(688)</u>	<u>(939)</u>
Net impairment losses	<u>\$ 138,539</u>	<u>\$ 1,118,535</u>

29 Employee Benefits Expense (excluding retirement benefits)

	Year ended September 30	
	2011	2010
Salaries and wages benefits	\$ 1,169,106	\$ 1,254,619
Allowances	547,789	148,956
Overtime	247,392	170,406
Other personnel costs	51,042	23,646
Medical services	50,116	47,011
Travel plan	17,728	18,183
Voluntary Selective Separation Plan	4	719
Housing aid	22,386	20,959
Savings plan	26,134	29,921
National Insurance	<u>39,066</u>	<u>38,205</u>
	<u>\$ 2,170,763</u>	<u>\$ 1,752,625</u>

30 Finance income and costs

- Bank borrowings	\$ (1,278)	\$ (1,197)
- Finance charge on decommissioning costs (Note 22)	<u>(271,778)</u>	<u>(237,437)</u>
Finance Costs	\$ (273,056)	\$ (238,634)
Finance income:		
- Interest on short-term investments	<u>989</u>	<u>4,574</u>
Finance income and costs	<u>\$ (272,067)</u>	<u>\$ (234,060)</u>

In the year ended September 30, 2011 the Group incurred interest on general borrowings of \$82,002 (2010: \$68,272), of which \$80,724 (2010: \$67,075) was capitalised. (See Notes 6 and 7).

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

31 Tax

	Year ended September 30	
	2011	2010
Tax expense:		
Current tax	\$ 1,916,067	\$ 983,463
Deferred income tax	<u>342,856</u>	<u>(74,833)</u>
	<u>\$ 2,258,923</u>	<u>\$ 908,630</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	
	2011	2010
Profit before tax	<u>\$ 4,484,312</u>	<u>\$ 774,690</u>
Tax calculated at a rate of 55%	\$ (2,466,372)	\$ (426,080)
- Expenses not deductible for tax purposes	(119,448)	(650,250)
- Income not subject to tax	(2,892)	739
- Effect of investment tax credit (uplift)	324,272	284,486
- Prior year tax adjustment	(72,783)	(531)
- R&M deferred taxes rate reduction	64,227	(3,826)
- Difference due to translation	45,807	(24,046)
- Under provision of prior year income taxes	<u>(31,734)</u>	<u>(89,122)</u>
	<u>\$ (2,258,923)</u>	<u>\$ (908,630)</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

32 Contingent Liabilities

(a) Housing loan guarantee

The Group has guaranteed mortgage-housing loans amounting to approximately \$10,991 (2010: \$12,375) made by various financial institutions to its employees participating in the housing aid scheme operated by the Company.

(b) Letter of credit

The Group has an outstanding letter of credit facility with a financial institution for \$131,556 / US\$20,504 (2010: \$128,120 / US\$20,276) which expires on December 31, 2011. Effective January 1, 2012, this facility increased to \$132,581 / US\$20,664. 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 \$16,220 (2010: \$5,000).

There are a number of other legal claims against the Company amounting to \$12,748 (2010: \$10,297) 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.

(d) Customs bonds

Contingent liabilities of the Group in respect of custom bonds amounted to approximately \$5,734 (2010: \$6,459).

(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 September 23, 1999, 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.

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September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

33 Commitments

(a) Capital commitments

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

	As at September 30	
	2011	2010
Property, plant and equipment	\$ <u>885,362</u>	\$ <u>536,772</u>

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

There were no operating lease commitments at September 30, 2011 (2010: \$nil)

The lease expenditure charged to the profit or loss during the year is disclosed in Note 27.

(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 \$8,144,316 (2010: \$7,744,273). 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 September 30, 2011 amounted to \$134,130 (2010: \$nil).

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

34 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:

As at September 30, 2011

Name of Company/Equity	Gross Receivables \$	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	2,976,468	--
-Other	106	282,983	--
<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

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

34 Related Party Transactions (continued)

Name of Company/Equity	Year ended September 30, 2011			
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	5,118,756	--	--
- Other	--	365,067	--	--
<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

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

34 Related Party Transactions (continued)

As at September 30, 2010

Name of Company/Equity	Gross Receivables	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	1,002,460	--
-Other	1,954	222,422	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing	2,884,881	4,010	--
The National Gas Company of Trinidad and Tobago Limited	482	30,784	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	791,118	--	23,091
Point Fortin LNG Exports Limited	5,867	--	--
<u>Jointly controlled operations</u>			
Block 9 – Offshore	52,382	13,818	9,479
Brighton Marine – Sub-Area A	--	--	--
Central Farm out Block	12,343	51,901	23,585
Moruga West	--	1,497	--
Pointe Ligoure	--	6,555	--
South East Coast Consortium	--	137,180	--
South West Peninsula	--	295	--
Parrylands ‘E’ Block	--	1,540	--
Teak, Samaan, Poui (TSP)	31,864	--	27,263
Block 1a	--	66	--
Block 1b	--	41	--
Block 22	--	187	--
Mayaro/Guayaguayare Block	--	--	--
Galeota	1,411	--	--

Petroleum Company of Trinidad and Tobago Limited

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

34 Related Party Transactions (continued)

Year ended September 30, 2010

Name of Company/Equity	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	3,519,122	--	--
- Other	--	282,358	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,400	--	4,957,331	9,491
The National Gas Company of Trinidad and Tobago Limited	183,410	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	8,269	--
<u>Joint Ventures</u>				
	Operating expenses \$	Capital expenditure \$	Goods \$	Services \$
Block 9 – Offshore	42,359	194,092	475,279	--
Central Farm out Block	28,326	29,601	203,593	--
Moruga West	1,965	--	11,518	--
Pointe Ligoure	1,206	--	15,597	--
South East Coast Consortium	17,304	27,725	388,117	--
South West Peninsula	(28)	(756)	584	--
Parrylands 'E' Block	960	--	3,090	--
Eastern Block	--	--	--	--
Teak, Samaan, Poui (TSP)	84,183	17,249	398,664	--
Block 1a/1b	--	4,489	--	--
Block 2a/b	--	(2,300)	--	--
Block 22	--	1,146	--	--
Block 3A	--	84	--	--
Mayaro/Guayaguayare Block	--	--	--	--
Galeota	17	--	45,698	--

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

34 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	
	2011	2010
Short-term employees benefits	\$ 6,154	\$ 6,124
Long-term employees benefits	<u>583</u>	<u>695</u>
	<u>\$ 6,737</u>	<u>\$ 6,819</u>

35 Interest In Jointly Controlled Assets

The Company has a shared control in the following ventures:

	As at September 30	
	2011	2010
	Effective	Effective
	Interest	Interest
Block 9 – Offshore	19.50%	19.50%
Block 27 – Offshore	5.00%	5.00%
Brighton Marine – Sub-Area A	35.00%	35.00%
Central Farmout Block	35.00%	35.00%
East Brighton Farmout Block	30.00%	30.00%
Gulf of Paria East	50.00%	50.00%
Moruga West	40.00%	40.00%
Pointe Ligoure	50.00%	50.00%
South East Coast Consortium	16.00%	16.00%
South West Peninsula	27.50%	27.50%
Parrylands ‘E’ Block	25.00%	25.00%
Eastern Block	35.00%	35.00%
Teak, Samaan, Poui (TSP)	15.00%	15.00%
Block 1a / 1b	20.00%	20.00%
Block 22	10.00%	10.00%
Block 3A	15.00%	15.00%
Galeota	35.00%	35.00%
Guayaguayare Shallow	35.00%	35.00%
Guayaguayare Deep	20.00%	20.00%
Central Range Deep	20.00%	20.00%
Central Range Shallow	35.00%	35.00%
Block 2ab	35.00%	35.00%

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

September 30, 2011

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

35 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.

	As at September 30	
	2011	2010
Assets		
Property, plant and equipment	\$ 1,941,749	\$ 2,146,935
Other long-term assets	1	1
Current assets	<u>255,863</u>	<u>103,867</u>
	2,197,613	2,250,803
Liabilities		
Trade and other payables	<u>(216,822)</u>	<u>(220,193)</u>
	<u>1,980,791</u>	<u>2,030,610</u>
Revenue	<u>1,671,654</u>	<u>1,542,141</u>
Profit before tax	827,990	656,586
Tax	<u>(530,412)</u>	<u>(374,591)</u>
Profit for the year	<u>\$ 297,578</u>	<u>\$ 281,995</u>

Capital commitments for the various joint ventures are \$71,181 (2010: \$83,418). 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 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 2011 was *123 (2010: *123).

* Number of employees quoted above are not in thousands.

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Cash Generated From Operations

Reconciliation of profit before tax to cash generated from operations:

	Note	As at September 30	
		2011	2010
Operating Activities			
Profit before tax		\$ 4,484,312	\$ 774,690
Adjustments for:			
Amortisation of intangible assets	7	771,984	709,441
Utilisation of decommissioning provision	22	(6,484)	(21,264)
Depreciation	6	559,878	357,990
Impairment losses related to investments		139,292	1,119,474
Reversal of previous impairment losses		(753)	(939)
Foreign currency translation (gain)/loss		54,696	(19,907)
Finance costs	30	273,056	238,634
Finance income	30	(989)	(4,574)
Loss on disposal of property, plant and equipment and intangible assets	27	1,249	630
Interest income on loan receivable	27	(106,968)	(107,067)
Write-down on available-for-sale financial instruments		--	--
Net pension cost	10	250,900	205,100
Net benefit cost	10	167,400	189,000
Taxes other than income taxes		2,303,295	1,859,200
Pension contributions paid	10	(133,500)	(127,300)
Post-employment medical benefits paid	10	(69,300)	(76,400)
Changes in working capital:			
Increase in Accounts receivable		(3,228,181)	(1,285,805)
Increase in Inventories		(426,338)	(792,517)
Increase in Other liabilities		<u>625,028</u>	<u>333,518</u>
Cash Generated From Operations		<u>\$ 5,658,577</u>	<u>\$ 3,351,904</u>

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

Net book value (Notes 6 and 7)	\$	1,471	\$	817
Loss on disposal (Note 27)		<u>(1,249)</u>		<u>(630)</u>
Proceeds from sales	\$	<u>222</u>	\$	<u>187</u>

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

37 Subsequent Events

(a) Contingent Liabilities - Letter of credit

The Group has an outstanding letter of credit facility with a financial institution for \$131,556 / US\$20,504 (2010: \$128,120 / US\$20,276) which expires on December 31, 2011. Effective January 1, 2012, this facility increased to \$132,581 / US\$20,664. 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 January 12, 2007 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 February 23, 2010, 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 June 8, 2010, Petrotrin filed a motion to compel arbitration of all claims asserted by WGTL Parties in the WGTL Lawsuit and to stay this lawsuit. On August 11, 2010, 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 August 25, 2010, the WGTL Parties filed a motion for reconsideration of Judge McKenna's August 11, 2010 order. Judge McKenna denied the motion for reconsideration on October 22, 2010. On September 8, 2010, the WGTL Parties also filed a notice of their intent to appeal Judge McKenna's August 11, 2010 order to the United States Court of Appeals for the Second Circuit. On October 26, 2010, the WGTL Parties withdrew their appeal without prejudice.

On February 24, 2010, 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. The WGTL Parties have not challenged the jurisdiction of the arbitral court. The arbitral tribunal has been appointed, and both the terms of reference and the procedural timetable for the arbitration have been agreed.

On March 16, 2011, Petrotrin submitted its particularised Statement of Claim to the ICC. On August 24, 2011, 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 October 5, 2011. Petrotrin filed its Statement of Reply on February 27, 2012, and the WGTL Parties filed their Rejoinder on April 16, 2012. The hearing on the merits is scheduled to take place between the week of May 7-May 11, 2012. At this stage it is not possible to assess the likelihood of success on the merits.

37. Subsequent Events (continued)

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

On November 4, 2011, 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 terms of an unspecified contract, breach of fiduciary duty, and deceit. The RFA also seeks unspecified damages. Petrotrin filed its Response to the RFA on December 5, 2011. The WGTL Parties filed their Statement of Claim on March 23, 2012, 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 is scheduled to file its Statement of Defense on June 15, 2012, the WGTL Parties are scheduled to file their Statement of Reply on September 27, 2012, and Petrotrin is scheduled to file its Statement of Rejoinder on November 8, 2012. The date of the hearing on the merits has not yet been set, but likely will not commence until December 2012 at the earliest. Petrotrin intends to vigorously defend against these claims. Although Petrotrin believes there is no basis for the allegations made in the RFA, at this stage it is not possible to assess the likelihood of success on the merits.

(c) Sale of assets of WGTL Trinidad Limited

On September 25, 2009, Petroleum Company of Trinidad and Tobago Limited and Petrotrin EAP Services Limited (“the Debenture Holders”) appointed Brian Hackett of PricewaterhouseCoopers Ltd as the receiver manager (the “Receiver”) over the assets falling under the debenture held by the Debenture Holders of World GTL Trinidad Limited (“WGTL Trinidad”) following WGTL Trinidad’s default on a loan from the Debenture Holders to WGTL Trinidad. The Debenture Holders 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 the Debenture Holders in July 2009.

On February 1, 2011, 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. 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 Receiver is holding discussion with interested parties with the ultimate objective of executing an Exclusive Memorandum of Understanding (“M.O.U.”) for the conduct of technical and financial due diligence and other engineering studies on completion of which a firm commercial offer is expected to be made on or before June 30, 2012. There is however no certainty that the execution of the M.O.U. will in fact take place.

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

37. Subsequent Events (continued)

(d) COPCO Notes

To satisfy Petrotrin's strategic objectives of improving its debt capacity and positioning Petrotrin to access additional debt to fund its future capital projects, it was decided to retire the COPCO Notes.

As such, and in accordance with the Oil Sale and Marketing Agreement and the Indenture, Petrotrin issued a Redemption Notice to the Issuer (COPCO) on November 16, 2011. These notes were redeemed on January 17, 2012.