

Petroleum Company of Trinidad and Tobago Limited

Consolidated Financial Statements

2015 September 30

(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, 2015, and the consolidated statements of profit or loss and other 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 consolidated financial position of the Group as at September 30, 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

January 27, 2016

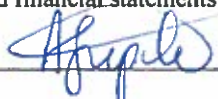
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Petroleum Company of Trinidad and Tobago Limited
Consolidated Statement of Financial Position
(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	2015	As at September 30	
			2014	2013
ASSETS:				
Non-current assets				
Property, plant and equipment	6	\$ 19,676,440	\$ 19,989,157	\$ 19,777,401
Intangible assets and goodwill	7	6,095,250	7,642,042	6,262,322
Retirement benefit asset – pension benefits	10	--	444,500	476,000
Available-for-sale financial instruments	11	2,322	2,420	6,236
Investment in associate	13	32,582	30,305	--
Investment in joint venture	12	--	1	1
Net deferred income tax assets	14	4,484,571	3,391,901	1,866,668
Income taxes recoverable	15	530,683	530,683	530,683
Cash in escrow – shareholder	16	149,384	109,858	84,839
Loans receivable	17	--	--	677
		<u>30,971,232</u>	<u>32,140,867</u>	<u>29,004,827</u>
Current assets				
Inventories	18	2,217,951	4,103,231	4,392,333
Loans receivable	17	--	--	1,252
Receivables and prepayments	19	2,586,441	7,341,872	10,370,626
Cash and cash equivalents	20	1,731,918	1,808,300	2,296,031
		<u>6,536,310</u>	<u>13,253,403</u>	<u>17,060,242</u>
Total assets		<u>\$ 37,507,542</u>	<u>\$ 45,394,270</u>	<u>\$ 46,065,069</u>
EQUITY AND LIABILITIES:				
Capital and reserves attributable to equity holders of the Company				
Share capital	21	2,272,274	2,272,274	2,272,274
Retained earnings		8,777,931	9,778,451	10,031,042
Currency translation differences		138,165	137,875	240,204
		<u>11,188,370</u>	<u>12,188,600</u>	<u>12,543,520</u>
Non-controlling interests		<u>(55,411)</u>	<u>(54,228)</u>	<u>(47,872)</u>
Total equity		<u>11,132,959</u>	<u>12,134,372</u>	<u>12,495,648</u>
Liabilities				
Non-current liabilities				
Borrowings	22	7,714,660	8,114,376	8,580,512
Retirement benefit obligation– pension benefit	10	28,500	--	--
Retirement benefit obligation – medical benefits	10	2,969,100	2,871,500	2,604,500
Provisions	23	4,501,291	7,149,824	5,685,073
		<u>15,213,551</u>	<u>18,135,700</u>	<u>16,870,085</u>
Current liabilities				
Trade and other payables	24	3,596,439	3,935,390	4,798,238
Current tax liabilities		2,123,495	5,156,100	7,449,362
Current portion of long-term borrowings	22	454,185	454,479	458,016
Short-term loans	25	4,984,394	5,565,006	3,979,968
Provisions	23	2,519	13,223	13,752
		<u>11,161,032</u>	<u>15,124,198</u>	<u>16,699,336</u>
Total liabilities		<u>26,374,583</u>	<u>33,259,898</u>	<u>33,569,421</u>
Total equity and liabilities		<u>\$ 37,507,542</u>	<u>\$ 45,394,270</u>	<u>\$ 46,065,069</u>

The notes on pages 6 to 76 are an integral part of these consolidated financial statements.

On 2016 January 27, the Board of Directors of Petroleum Company of Trinidad and Tobago Limited authorised these consolidated financial statements for issue.

 Director

 Director

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

	Note	Year ended September 30		
		2015	2014	2013
Revenue	26	\$ 19,751,646	\$ 29,250,644	\$ 31,911,405
Cost of sales	28	<u>(19,253,844)</u>	<u>(27,397,947)</u>	<u>(29,933,141)</u>
Gross profit		497,802	1,852,697	1,978,264
Administrative expenses	28	(1,269,983)	(1,253,386)	(1,234,208)
Marketing expenses	28	(118,424)	(223,854)	(54,339)
Other operating expenses	28	(51,817)	(1,806)	(20,854)
Impairment (losses)/write-back	29	(651)	9,488	(4,579)
Other operating income	27	<u>192,690</u>	<u>306,542</u>	<u>303,444</u>
Operating (loss)/profit		(750,383)	689,681	967,728
Finance income	31	2,644	3,228	2,410
Finance costs	31	<u>(957,823)</u>	<u>(999,193)</u>	<u>(1,078,950)</u>
Net finance costs	31	<u>(955,179)</u>	<u>(995,965)</u>	<u>(1,076,540)</u>
Share of profit of equity accounted investees, net of tax	11	2,376	26,407	--
(Loss) before tax		(1,703,186)	(279,877)	(108,812)
Income tax benefit	32	<u>880,214</u>	<u>78,537</u>	<u>124,517</u>
(Loss)/Profit for the year		\$ (822,972)	\$ (201,340)	\$ 15,705
Other comprehensive income:				
Items that will never be reclassified to profit or loss:				
Currency translation differences		400	(101,866)	(188)
Actuarial /(losses)/gains on retirement benefit asset – pension benefits	10	(395,100)	44,900	331,000
Actuarial gains/(losses) on retirement benefit obligation – medical benefits	10	15,700	(160,700)	(134,200)
Income tax benefit/(expense) on other comprehensive income	32	<u>200,513</u>	<u>57,900</u>	<u>(105,628)</u>
		<u>(178,487)</u>	<u>(159,766)</u>	<u>90,984</u>
Items that will be reclassified to profit or loss:				
Available-for-sale financial assets – net change in fair value		<u>46</u>	<u>(170)</u>	<u>--</u>
		<u>46</u>	<u>(170)</u>	<u>--</u>
Other comprehensive (loss)/ income, net of tax		(178,441)	(159,936)	90,984
Total comprehensive (loss)/income		\$ (1,001,413)	\$ (361,276)	\$ 106,689
(Loss)/Profit attributable to:				
Equity holders of the Company		(821,679)	(194,521)	16,948
Non-controlling interests		<u>(1,293)</u>	<u>(6,819)</u>	<u>(1,243)</u>
		<u>\$ (822,972)</u>	<u>\$ (201,340)</u>	<u>\$ 15,705</u>
Total comprehensive income attributable to:				
Equity holders of the Company		(1,000,116)	(354,453)	107,936
Non-controlling interests		<u>(1,297)</u>	<u>(6,823)</u>	<u>(1,247)</u>
		<u>\$ (1,001,413)</u>	<u>\$ (361,276)</u>	<u>\$ 106,689</u>

The notes on pages 6 to 76 are an integral part of these consolidated financial statements.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Consolidated Statement of Changes in Equity

(Presented in Thousands of Trinidad and Tobago Dollars)

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Currency translation differences	Retained earnings	Total		
	\$	\$	\$	\$		
Balance at 2014 September 30	2,272,274	137,875	9,778,451	12,188,600	(54,228)	12,134,372
Loss for the year	--	--	(821,679)	(821,679)	(1,293)	(822,972)
Other comprehensive income:						
Currency translation differences	--	290	--	290	110	400
Actuarial losses on defined benefit asset	--	--	(395,100)	(395,100)	--	(395,100)
Actuarial gains on defined benefit obligation	--	--	15,700	15,700	--	15,700
Change in fair value of available-for-sale financial instrument	--	--	46	46	--	46
Income tax benefit on other comprehensive income	--	--	200,513	200,513	--	200,513
Total other comprehensive income	--	290	(178,841)	(178,551)	110	(178,441)
Total comprehensive income for the period	--	290	(1,000,520)	(1,000,230)	(1,183)	(1,001,413)
Balance at 2015 September 30	2,272,274	138,165	8,777,931	11,188,370	(55,411)	11,132,959
Balance at 2013 September 30	2,272,274	240,204	10,031,042	12,543,520	(47,872)	12,495,648
Loss for the year	--	--	(194,521)	(194,521)	(6,819)	(201,340)
Other comprehensive income:						
Currency translation differences	--	(102,329)	--	(102,329)	463	(101,866)
Actuarial gains on defined benefit asset	--	--	44,900	44,900	--	44,900
Actuarial losses on defined benefit obligation	--	--	(160,700)	(160,700)	--	(160,700)
Change in fair value of available-for-sale financial instrument	--	--	(170)	(170)	--	(170)
Income tax benefit on other comprehensive income	--	--	57,900	57,900	--	57,900
Total other comprehensive income	--	(102,329)	(58,070)	(160,399)	463	(159,936)
Total comprehensive income for the period	--	(102,329)	(252,591)	(354,920)	(6,356)	(361,276)
Balance at 2014 September 30	2,272,274	137,875	9,778,451	12,188,600	(54,228)	12,134,372
Balance at 2012 September 30	2,272,274	240,388	9,922,922	12,435,584	(46,625)	12,388,959
Profit (loss) for the year	--	--	16,948	16,948	(1,243)	15,705
Other comprehensive income:						
Currency translation differences	--	(184)	--	(184)	(4)	(188)
Actuarial gains on defined benefit asset	--	--	331,000	331,000	--	331,000
Actuarial losses on defined benefit obligation	--	--	(134,200)	(134,200)	--	(134,200)
Income tax benefit on other comprehensive income	--	--	(105,628)	(105,628)	--	(105,628)
Total other comprehensive income	--	(184)	91,172	90,988	(4)	90,984
Total comprehensive income for the period	--	(184)	108,120	107,936	(1,247)	106,689
Balance at 2013 September 30	2,272,274	240,204	10,031,042	12,543,520	(47,872)	12,495,648

The notes on pages 6 to 76 are an integral part of these consolidated financial statements.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Consolidated Statement of Cash Flows

(Presented in Thousands of Trinidad and Tobago dollars)

	Note	Year ended September 30		
		2015	2014	2013
Cash flows from operating activities:				
Cash generated from operations	37	\$ 6,631,979	\$ 6,244,398	\$ 6,028,880
Tax paid		<u>(3,611,151)</u>	<u>(5,326,537)</u>	<u>(2,709,688)</u>
Net cash from operating activities		<u>3,020,828</u>	<u>917,861</u>	<u>3,319,192</u>
Cash flows from investing activities:				
Payments for property, plant and equipment and intangible assets		(1,321,779)	(1,702,187)	(1,787,791)
Proceeds from sale of property, plant and equipment	37	16	208	34
Amounts deposited to shareholder escrow account		(31,692)	--	(59,703)
Investments available-for-sale		--	14,129	124
Recovery on loans to related parties		4,793	2,013	1,877
Disbursements of loans to related parties		(5,300)	(5,068)	(5,173)
Interest received		<u>2,627</u>	<u>3,105</u>	<u>2,396</u>
Net cash used in investing activities		<u>(1,351,335)</u>	<u>(1,687,800)</u>	<u>(1,848,236)</u>
Cash flows from financing activities:				
Proceeds from short-term loans		9,394,464	12,145,804	9,520,265
Repayments of short-term loans		(10,009,321)	(10,527,866)	(9,226,854)
Repayments of long-term borrowings		(391,282)	(391,281)	(391,281)
Interest paid		<u>(908,610)</u>	<u>(925,611)</u>	<u>(961,891)</u>
Net cash (used in)/from financing activities		<u>(1,914,749)</u>	<u>301,046</u>	<u>(1,059,761)</u>
Currency translation differences relating to cash and cash equivalents		<u>168,874</u>	<u>(18,838)</u>	<u>5,287</u>
(Decrease)/Increase in cash and cash equivalents		<u>(76,382)</u>	<u>(487,731)</u>	<u>416,482</u>
Cash and cash equivalents at start of year		<u>1,808,300</u>	<u>2,296,031</u>	<u>1,879,549</u>
Cash and cash equivalents at end of year	20	<u>\$ 1,731,918</u>	<u>\$ 1,808,300</u>	<u>\$ 2,296,031</u>

The notes on pages 6 to 76 are an integral part of these consolidated financial statements.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

1 Reporting entity

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

The consolidated financial statements of the Group as at and for the year ended 2015 September 30 comprise PETROTRIN and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities.

The following subsidiaries have been consolidated:

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

WGTL TL	Trinidad and Tobago	100%
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WGTL TL was formed to undertake the construction, completion, ownership and operation of a gas to liquids plant to be located at Petrotrin's Pointe-a-Pierre refinery complex. The said plant is still in the construction phase.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and effective for the year ended 2015 September 30.

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

(b) Basis of measurement

The 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, less the present value of the defined benefit obligation and the effect of the asset ceiling test.

(c) Foreign currency translation

• Functional and presentation currency

Items included in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, are disclosed in Note 5.

3 Summary of significant accounting policies

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

3.1 Accounting standards and interpretations

(a) New standards, amendments and interpretation adopted

The following new standards, amendments and interpretation effective 2014 January 1, were adopted in the current year but had no significant impact on the consolidated financial statements of the Group. Most of these new standards required enhanced disclosures.

- IAS 32 Offsetting Financial Assets and Financial liabilities – Amendments to IAS 32 (effective 2014 January 1). This requires that “a financial asset and a financial liability shall not be contingent on a future event and shall be offset...when, and only when, an entity currently has a legally enforceable right to set off the recognised amounts...”The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The standard further clarifies the entity should have the intention to settle the asset and liability on a net basis.
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendments – effective 2014 January 1). This amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal is determined using a present value technique).
- IFRIC 21 – Levies, (effective 2014 January 1). This standard provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligation event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provided the following guidance on recognition of a liability to pay levies:
 - The liability is recognised progressively if the obligation event occurs over a period of time.
 - If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3. Summary of significant accounting policies (continued)

3.1 Accounting standards and interpretations (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 2015 January 1. The Group is in the process of assessing their full impact on its consolidated financial statements:

- IFRS 9 'Financial instruments part 1: Classification and measurement' (effective 2018 January 1). IFRS 9 was issued in 2009 November and 2010 October. It replaces the parts of IAS 39 that relates to the classification and measurement of financial instruments. The completed standard was issued in 2014 July, with an effective date of 2018 January 1. IFRS 9 required financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The additional amendments in 2014 July introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.
- IFRS 10 Consolidated Financial Statements – (Amendment effective 2016 January 1). This amendment clarifies the accounting for loss of control of a subsidiary when the subsidiary does not constitute a business.
- IFRS 11 Joint Arrangements (Amendment effective 2016 January 1). This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:
 - Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
 - Disclose the information required by IFRS 3 and other IFRSs for business combinations.
 - The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interest are not remeasured.)

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

3. Summary of significant accounting policies (continued)

3.1 Accounting standards and interpretations (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group: (continued)

- IFRS 15 Revenue from Contracts with Customers (effective 2017 January 1). This standard provides a single principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
 - Identify the contract with the customer
 - Identify the performance obligations in the contract
 - Determine the transaction price
 - Allocate the transaction price to the performance obligations in the contracts
 - Recognise revenue when (or as) the entity satisfies a performance obligation.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (amendment effective 2016 January 1). This amendment is to:
 - Clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
 - Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is highly correlated. It provides guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

- IAS 28 Investments in Associates and Joint Venture – (Amendment effective 2016 January 1). This amendment clarifies the accounting for loss of control of a subsidiary when the subsidiary does not constitute a business.

- Disclosure initiative (Amendments to IAS 1), effective 2016 January 01, addresses some of the perceived problems with current disclosure requirements.

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Notes to the Consolidated Financial Statements (continued)

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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 non-controlling interest.

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

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

(b) Joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities required unanimous consent of the parties sharing control.

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The results, assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under this method, the investment is carried in the statement of financial position at cost less any impairment in the value of the investment. The Company assesses at each balance sheet date whether the investment is impaired, and if there is objective evidence that such loss has been incurred, the carrying amount of the investment is compared with its recoverable amount being the higher of its fair value less costs to sell and value-in-use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

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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)

3.2 Basis of consolidation (continued)

The Consolidated statement of profit or loss and other comprehensive income reflects the Company's share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture.

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group will from time to time acquire interest in joint operations to diversify both its Exploration and Production and Refining and Marketing operations. These acquisitions represent 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.

The Company's interest in joint operations is accounted for on a line-by-line basis in the consolidated financial statements; its share of the assets, liabilities, income and expenses incurred jointly with other partners, along with any liabilities and expenses incurred in relation to the joint arrangement. The Company recognises the portion of gains or losses on the sale of assets by the Company to the joint operation that is attributable to the other ventures. The Company does not recognise its share of profits or losses from the joint operation that result from the Company's purchase of assets from it 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.

(c) Associates

An associate is an entity over which the Company has significant influence, but which is not a subsidiary or a joint arrangement. Significant influence is determined through one or more of the following ways:

- (i) representation on Board of Directors;
- (ii) participation in policy-making processes, including participation in decisions about dividends and other distributions;
- (iii) material transactions between the Company and investee;
- (iv) interchange of managerial personnel; and
- (v) provision of essential technical information.

The Group's share of associate investments is accounted for using the equity method described above.

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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)

3.2 Basis of consolidation (continued)

(d) Non-controlling interests

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

3.3 Property, plant and equipment and certain intangible assets

(a) Oil and gas assets

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

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

Exploration and evaluation assets – Capitalisation

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

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

Costs incurred in the exploration and evaluation of assets include:

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

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

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

3 Summary of significant accounting policies (continued)

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

(a) Oil and gas assets (continued)

Exploration and evaluation assets – Impairment

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

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

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

Development tangible and intangible assets- Capitalisation

Acquisitions, asset purchases and disposals

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

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

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

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

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

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/Production tangible and intangible assets – Impairment

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

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

Production assets – Depreciation

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

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

Provision for decommissioning costs

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

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

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

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

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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

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. Repairs and maintenance, except for major overhaul costs (See Note 3.3 (c)), are charged to profit or loss during the financial period in which they are incurred.

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

Manufacturing plant and equipment	3.75% to 10%	- straight-line
Refinery spares	5%	- straight-line
Floating property	20%	- diminishing balance
Transportation equipment	20%	- diminishing balance
Furniture and fixtures	20%	- diminishing balance
Domestic appliances	20%	- straight-line
Buildings	5%	- diminishing balance
Computer equipment/software (specialised)	10%	- straight-line
Computer equipment/software (non-specialised)	33.3%	- straight-line
Other supporting equipment and facilities	27.5%	- in the first year and 7.5% on a diminishing balance for subsequent years

The expected useful lives of plant, property and equipment are reviewed on an annual basis, and if necessary changes in useful lives are adjusted for prospectively. These assets are derecognised upon disposal when no future economic benefits are expected to arise from continued use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

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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)

(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.

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 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.

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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)

3.4 Intangible assets (continued)

(b) Computer software (continued)

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

(c) Other intangible assets

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

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

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

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.

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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)

3.6 Financial assets (continued)

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.

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.

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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)

3.7 Inventories (continued)

(c) Materials and supplies

Inventories of materials and supplies are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses of the materials and supplies. Refinery spare parts are considered refining assets (See Note 3.3 (b)).

3.8 Trade receivables

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

3.9 Cash and cash equivalents

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

3.10 Share capital

Ordinary shares are classified as equity.

3.11 Trade and other payables

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

3.12 Borrowings

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

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

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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)

3.12 Borrowings (continued)

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.

3.13 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 also recognised on carry-forward unused tax losses. It 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.

3.14 Employee benefits

(a) Pension asset (liability)

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 (liability) recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of Plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for the effect of the asset ceiling test. The pension asset (liability) is calculated annually by independent qualified actuaries using the projected unit credit method.

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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)

3.14 Employee benefits (continued)

(a) Pension asset (liability)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities and high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

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

(b) Other post-employment obligations

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

3.15 Revenue recognition

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

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

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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)

3.15 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 cash flows discounted at original effective interest rate of the instrument. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Marine income and processing fees

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

3.16 Leases

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

3.17 Dividend distribution

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

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)

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

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

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

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

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

In the years ended 2013 September 30 to 2015 September 30, Management deemed the price risk impact on equity instruments classified as available-for-sale to be immaterial.

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)

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		
	2015	2014	2013
Year-end	6.34535	6.35830	6.41950
Average rate during the year	6.34396	6.40534	6.40987

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

	Note	As at 2015 September 30			Total
		TTS	Other	US\$	
Assets					
Income taxes recoverable	15	530,683	--	--	530,683
Cash in escrow – shareholder	16	--	--	149,384	149,384
Receivables *	19	1,154,875	--	1,125,849	2,280,724
Cash and cash equivalents	20	317,194	--	1,414,724	1,731,918
Financial assets		2,002,752	--	2,689,957	4,692,709
Liabilities					
Borrowings	22	(30,607)	--	(8,138,238)	(8,168,845)
Trade and other payables	24	(2,407,571)	(3,866)	(1,185,002)	(3,596,439)
Current tax liabilities		(2,123,495)	--	--	(2,123,495)
Short-term loans	25	--	--	(4,984,394)	(4,984,394)
Financial liabilities		(4,561,673)	(3,866)	(14,307,634)	(18,873,173)
<i>* excludes prepayments</i>					
Net currency exposure		(2,558,921)	(3,866)	(11,617,677)	(14,180,464)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		(25,589)	(39)	--	(25,628)

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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)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

	Note	TTS	As at 2014 September 30 Other	US\$	Total
Assets					
Income taxes recoverable	15	530,683	--	--	530,683
Cash in escrow – shareholder	16	--	--	109,858	109,858
Receivables *	19	4,615,646	5	2,396,234	7,011,807
Cash and cash equivalents	20	<u>122,212</u>	<u>--</u>	<u>1,686,088</u>	<u>1,808,300</u>
Financial assets		<u>5,268,541</u>	<u>5</u>	<u>4,192,180</u>	<u>9,460,648</u>
Liabilities					
Borrowings	22	(30,607)	--	(8,538,248)	(8,568,855)
Trade and other payables	24	(1,638,655)	(1,323)	(2,295,412)	(3,935,390)
Current tax liabilities		(5,156,100)	--	--	(5,156,100)
Short-term loans	25	<u>--</u>	<u>--</u>	<u>(5,565,006)</u>	<u>(5,565,006)</u>
Financial liabilities		<u>(6,825,362)</u>	<u>(1,323)</u>	<u>(16,398,666)</u>	<u>(23,225,351)</u>
<i>* excludes prepayments</i>					
Net currency exposure		(1,556,821)	(1,318)	(12,206,486)	(13,764,703)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		(15,568)	(13)	--	(15,581)

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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)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

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

(iii) Interest rate risk

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

The Group is exposed to cash flow or market interest rate risk mainly on its short-term bank deposits and short-term loans. These transactions are negotiated at fixed rates but are subject to repricing risk. Short-term deposits were repriced daily in 2015 (2014: 1.5 days and 2013: daily), while short-term loans had maturities of 59-180 days in 2015 (2014: 88-209 days and 2013: 119-180 days).

The Group monitors its interest rate risk using interest rate sensitivity and gap analyses. 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		
	2015	2014	2013
Fixed rate instruments			
Financial assets	\$ 2,322	\$ 2,420	\$ 8,165
Financial liabilities	<u>(13,153,239)</u>	<u>(14,133,861)</u>	<u>(13,018,496)</u>
	<u>\$ (13,150,917)</u>	<u>\$ (14,131,441)</u>	<u>\$ (13,010,331)</u>
Variable rate instruments			
Financial assets	\$ 1,731,918	\$ 1,808,300	\$ 2,296,031
Financial liabilities	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,731,918</u>	<u>\$ 1,808,300</u>	<u>\$ 2,296,031</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)

(a) Market risk (continued)

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

	Effect on profit after tax Year ended September 30		
	2015	2014	2013
Change in interest rate:			
Increase by 1%	\$ 17,319	\$ 18,083	\$ 22,960
Decrease by 1%	(17,319)	(18,083)	(22,960)

(iv) Fair value risk

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

The table below shows the carrying amounts and fair values of both long term and short term borrowings. The carrying amounts of short-term borrowings approximate to their fair values.

	As at September 30					
	2015		2014		2013	
	Carrying values	Fair values	Carrying values	Fair values	Carrying values	Fair values
	\$	\$	\$	\$	\$	\$
Borrowings	(8,168,845)	(8,552,425)	(8,568,855)	(10,371,123)	(9,038,528)	(10,832,448)
Short-term loans	<u>(4,984,394)</u>	<u>(4,984,394)</u>	<u>(5,565,006)</u>	<u>(5,565,006)</u>	<u>(3,979,968)</u>	<u>(3,979,968)</u>
	<u>(13,153,239)</u>	<u>(13,536,819)</u>	<u>(14,133,861)</u>	<u>(15,936,129)</u>	<u>(13,018,496)</u>	<u>(14,812,416)</u>

The valuation technique used in measuring the fair value of borrowings is described below:

Financial instrument	Valuation technique
Debt securities	The fair value of borrowings was derived by discounting all future cash flows at prevailing market interest rates that ranged from 7.69% to 8.31% (2014:3.91% to 4.20%; 2013: 4.72% to 4.83%). The discount rates used to derive the fair value of the bonds represent the borrowing rates if Petrotrin were to access the market at year-end. This pricing is derived from Bloomberg's screen shot of price based on the yield to maturity (YTM) on the associated bond at year-end.

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2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. It 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		
	2015	2014	2013
Local	\$ 1,715,413	\$ 5,839,839	\$ 8,847,008
Regional	194,045	166,121	465,157
International	<u>307,244</u>	<u>582,796</u>	<u>604,831</u>
Gross trade and related parties	<u>\$ 2,216,702</u>	<u>\$ 6,588,756</u>	<u>\$ 9,916,996</u>

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

	As at September 30		
	2015	2014	2013
Less than one year trading history*	\$ 86	\$ 9,666	\$ 207,909
Customers between one and four years trading history*	61,680	28,953	51,193
Customer with over four years trading history*	2,084,978	6,293,234	9,167,891
Higher risk	<u>229</u>	<u>--</u>	<u>562</u>
	<u>\$ 2,146,973</u>	<u>\$ 6,331,853</u>	<u>\$ 9,427,555</u>

* excludes higher risk

Included in local revenues arising from direct sales of product is approximately 19.32 % (2014: 19.70%; 2013: 23.95%), 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 2015 September 30, outstanding receivables from NPMC represented 33.42% (2014: 40.75%; 2013: 54.14%) of local receivables and 28.19% (2014: 36.60%; 2013: 48.56%) 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.

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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 (continued)

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

	2015	As at September 30	
		2014	2013
Fully performing	\$ 625,655	\$ 1,738,229	\$ 2,133,136
Past due but not impaired:			
within 30 days	966,832	1,320,429	1,420,910
31 to 60 days	200,018	646,151	578,885
61 to 90 days	205,314	411,692	350,043
over 90 days	267,307	2,891,772	5,600,766
Impaired	250,744	403,959	639,345
Total	<u>\$ 2,515,870</u>	<u>\$ 7,412,232</u>	<u>\$ 10,723,085</u>

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

	Year ended September 30		
	2015	2014	2013
Balance at start of year	\$ (403,959)	\$ (639,345)	\$ (459,991)
Exchange adjustments	(32)	(146)	3
Charge for the year (Note 28)	(68,386)	(164,424)	(179,544)
Receivables written-off during the year as uncollectible	<u>221,633</u>	<u>399,956</u>	<u>187</u>
Balance at end of year	<u>\$ (250,744)</u>	<u>\$ (403,959)</u>	<u>\$ (639,345)</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 \$4,148,750 (2014:\$8,928,851; 2013: \$12,472,775).

	Note	As at September 30		
		2015	2014	2013
<u>Assets as per statement of financial position</u>				
Available for sale financial instruments	11	\$ 2,322	\$ 2,420	\$ 6,236
Cash in escrow – shareholder	16	149,384	109,858	84,839
Loans receivable	17	--	--	1,929
Trade and other receivables excluding prepayments and taxes	19	2,265,126	7,008,273	10,083,740
Cash and cash equivalents	20	<u>1,731,918</u>	<u>1,808,300</u>	<u>2,296,031</u>
		<u>\$ 4,148,750</u>	<u>\$ 8,928,851</u>	<u>\$ 12,472,775</u>

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)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. In managing its liquidity risks, the Group maintains sufficient cash on hand and committed credit facilities to meet its operational expenses, including the servicing of financial obligations. The Group's treasury function co-ordinates relationships with banks, borrowing requirements and cash management. The Group believes it has access to sufficient funding by using undrawn borrowing facilities to meet foreseeable borrowing requirements. At 2015 September 30, the Group has short-term credit facilities with various foreign and local banking institutions totalling \$6,889,619, of which the sum of \$1,773,404 was unutilised. The Company 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 Ba1 (stable outlook) and BB+ (stable outlook) assigned by Moody's and Standard and Poor's respectively. The table below presents the financial liabilities payable by the Group by remaining contractual maturities at the reporting date.

As at 2015 September 30

	Contractual cash flows					
	Carrying values	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
<u>Financial liabilities</u>	\$	\$	\$	\$	\$	\$
Borrowings	(8,168,845)	(10,896,949)	(1,140,673)	(1,055,143)	(7,389,985)	(1,311,148)
Trade and other payables (excluding statutory liabilities)	(3,251,809)	(3,251,809)	(3,251,809)	--	--	--
Short-term loans	(4,984,394)	(5,029,744)	(5,029,744)	--	--	--
	(16,405,048)	(19,178,502)	(9,422,226)	(1,055,143)	(7,389,985)	(1,311,148)

As at 2014 September 30

	Contractual cash flows					
	Carrying values	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
<u>Financial liabilities</u>	\$	\$	\$	\$	\$	\$
Borrowings	(8,568,855)	(12,014,258)	(1,166,211)	(1,080,527)	(2,091,408)	(7,676,112)
Trade and other payables (excluding statutory liabilities)	(3,486,102)	(3,486,102)	(3,486,102)	--	--	--
Short-term loans	(5,565,006)	(5,600,517)	(5,600,517)	--	--	--
	(17,619,963)	(21,100,877)	(10,252,830)	(1,080,527)	(2,091,408)	(7,676,112)

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)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 2013 September 30

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

4.2 Capital risk management

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

The Group's capital structure consists of share capital, reserves and retained earnings and adjustments are made based on economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 2013 September 30 to 2015 September 30.

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

Gearing ratio

	As at September 30		
	2015	2014	2013
Total borrowings	\$ 13,153,239	\$ 14,133,861	\$ 13,018,496
Less: Cash and cash equivalents	<u>(1,731,918)</u>	<u>(1,808,300)</u>	<u>(2,296,031)</u>
Net debt	11,421,321	12,325,561	10,722,465
Total equity	<u>11,132,959</u>	<u>12,134,372</u>	<u>12,495,648</u>
Total capital	<u>\$ 22,554,280</u>	<u>\$ 24,459,933</u>	<u>\$ 23,218,113</u>
Gearing ratio	50.64%	50.39%	46.18%

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Consolidated Financial Statements (continued)

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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. During the period, there were no changes in the classification of financial assets, neither were there transfers between levels of the fair value hierarchy.

5 Critical accounting estimates and judgments

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

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

(a) IAS 19 valuation

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

(b) Oil and gas reserves

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

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

5 Critical accounting estimates and judgments (continued)

(b) Oil and gas reserves (continued)

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

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

(c) Lease licences

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

(d) Impairment of assets

(i) Goodwill

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

(ii) Financial assets

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

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

5 Critical accounting estimates and judgments (continued)

(d) Impairment of assets (continued)

(iii) Other assets

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

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

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

(e) Decommissioning and environmental obligations

(i) Decommissioning obligation

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

5 Critical accounting estimates and judgments (continued)

(e) Decommissioning and environmental obligations (continued)

(ii) Environmental liabilities

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

(f) Income taxes

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

6 Property, plant and equipment

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
Year ended 2015 September 30							
Opening net book amount	19	215,743	215,762	1,605,973	17,618,078	549,344	19,989,157
Exchange differences	(26)	(8,446)	(8,472)	5,740	(36,795)	(1,046)	(40,573)
Additions	738	125,932	126,670	184,801	605,809	25,562	942,842
Transfers	2,829	(117,945)	(115,116)	115,116	--	--	--
Depreciation charge	--	--	--	(295,831)	(904,250)	(14,905)	(1,214,986)
Closing net book amount	3,560	215,284	218,844	1,615,799	17,282,842	558,955	19,676,440
As at 2015 September 30							
Cost	3,560	215,284	218,844	6,301,727	23,172,723	775,822	30,469,116
Accumulated depreciation	--	--	--	(4,685,928)	(5,889,881)	(216,867)	(10,792,676)
Net book amount	3,560	215,284	218,844	1,615,799	17,282,842	558,955	19,676,440
	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
Year ended 2014 September 30							
Opening net book amount	13	180,728	180,741	1,690,435	17,363,984	542,241	19,777,401
Exchange differences	(4)	8,022	8,018	(25,732)	(174,720)	(5,072)	(197,506)
Additions	10	67,357	67,367	157,134	933,134	26,049	1,183,684
Transfers	--	(40,364)	(40,364)	40,364	--	--	--
Disposals	--	--	--	--	(19,088)	--	(19,088)
Depreciation charge	--	--	--	(256,228)	(485,232)	(13,874)	(755,334)
Closing net book amount	19	215,743	215,762	1,605,973	17,618,078	549,344	19,989,157
As at 2014 September 30							
Cost	19	215,743	215,762	5,869,105	22,610,498	751,660	29,447,025
Accumulated depreciation	--	--	--	(4,263,132)	(4,992,420)	(202,316)	(9,457,868)
Net book amount	19	215,743	215,762	1,605,973	17,618,078	549,344	19,989,157

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

6 Property, plant and equipment (continued)

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
Year ended							
2013 September 30							
Opening net book amount	743	107,169	107,912	1,748,277	16,877,383	523,899	19,257,471
Exchange differences	1	451	452	(3,803)	382	(65)	(3,034)
Additions	12	90,475	90,487	182,496	1,140,066	30,833	1,443,882
Transfers	(653)	(17,367)	(18,020)	18,020	--	--	--
Disposals	(90)	--	(90)	(1,278)	--	(5)	(1,373)
Depreciation charge	--	--	--	(253,277)	(653,847)	(12,421)	(919,545)
Closing net book amount	13	180,728	180,741	1,690,435	17,363,984	542,241	19,777,401
As at							
2013 September 30							
Cost	13	180,728	180,741	5,886,511	21,912,981	732,747	28,712,980
Accumulated depreciation	--	--	--	(4,196,076)	(4,548,997)	(190,506)	(8,935,579)
Net book amount	13	180,728	180,741	1,690,435	17,363,984	542,241	19,777,401

Depreciation expense of \$1,200,081 (2014:\$741,460; 2013: \$907,124) has been charged in cost of sales, while \$14,905 (2014: \$13,874; 2013: \$12,421) has been charged in other operating expenses. Included in production assets under depreciation, is an impairment loss of \$11,815 (2014: reversal of previous years impairment loss of \$3,189; 2013: impairment loss of (\$3,220)). No impairment losses were recorded for Refining and Marketing assets during 2015 (2014: nil; 2013: \$272,169).

Costs not subject to depreciation totalled 2015 \$5,745,532 (2014: \$13,629,010 ; 2013: \$ 12,218,369). These are assets under construction in Refining and Marketing and Corporate as well as Exploration and Evaluation and Development costs.

	As at September 30		
	2015	2014	2013
Assets under construction (excluding Exploration and Evaluation and Development costs)			
Production assets	\$ 594,390	\$ 1,018,123	\$ 640,775
Refining and Marketing assets	4,533,098	12,005,199	11,658,636
Other Business and Corporate assets	399,199	389,926	378,993

Included in Refining and Marketing assets is an amount of \$219,205 (2014: \$220,300; 2013: \$221,205) capitalised in respect of specific borrowing costs. These are actual borrowing costs incurred, less any investment income earned on temporary investment of borrowings. Borrowing costs were incurred on financing for the Ultra- Low Sulphur Diesel (ULSD) project.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

6 Property, plant and equipment (continued)

Included in development assets and Refining and Marketing is interest capitalised during the year, on general borrowings of \$10,506 (2014: \$11,253; 2013: \$10,093) and \$28,368 (2014: \$11,290; 2013: \$11,985) respectively. The capitalisation rate on general borrowings is 1.86% (2014: 1.86%; 2013: 1.30%).

7 Intangible assets

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended								
2015 September 30								
Opening net book amount	706,738	1,887,251	2,593,989	252,159	3,904,550	845,336	46,008	7,642,042
Exchange differences	(2,805)	(9,188)	(11,993)	(514)	(4,214)	(1,872)	(60)	(18,653)
Additions	12,722	809,413	822,135	--	132,859	--	5,824	960,818
Revised decommissioning cost	--	--	--	--	(2,933,101)	(43,562)	--	(2,976,663)
Transfers	53,687	(1,107,136)	(1,053,449)	--	1,053,449	--	--	--
Disposals	--	--	--	--	--	--	--	--
Amortisation charge	--	--	--	--	567,328	(72,109)	(7,513)	487,706
Closing net book amount	770,342	1,580,340	2,350,682	251,645	2,720,871	727,793	44,259	6,095,250
As at								
2015 September 30								
Cost	770,342	1,580,340	2,350,682	386,635	13,260,356	1,351,731	185,855	17,535,259
Accumulated amortisation	--	--	--	(134,990)	(10,539,485)	(623,938)	(141,596)	(11,440,009)
Net book amount	770,342	1,580,340	2,350,682	251,645	2,720,871	727,793	44,259	6,095,250

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

7 Intangible assets (continued)

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2014 September 30								
Opening net book amount	270,896	1,581,597	1,852,493	254,585	3,748,431	365,093	41,720	6,262,322
Exchange differences	(5,966)	(2,258)	(8,224)	(2,426)	(45,652)	(3,247)	(416)	(59,965)
Additions	469,917	611,835	1,081,752	--	117,965	--	14,304	1,214,021
Revised decommissioning cost	--	--	--	--	666,923	511,839	--	1,178,762
Transfers	(28,109)	(303,923)	(332,032)	--	332,032	--	--	--
Disposals	--	--	--	--	(439)	--	--	(439)
Amortisation charge	--	--	--	--	(914,710)	(28,349)	(9,600)	(952,659)
Closing net book amount	706,738	1,887,251	2,593,989	252,159	3,904,550	845,336	46,008	7,642,042
As at 2014 September 30								
Cost	706,738	1,887,251	2,593,989	387,424	14,969,709	1,398,139	180,391	19,529,652
Accumulated amortisation	--	--	--	(135,265)	(11,065,159)	(552,803)	(134,383)	(11,887,610)
Net book amount	706,738	1,887,251	2,593,989	252,159	3,904,550	845,336	46,008	7,642,042
	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2013 September 30								
Opening net book amount	283,556	797,690	1,081,246	254,537	5,816,977	768,582	40,923	7,962,265
Exchange differences	807	1,731	2,538	48	(13,606)	15	(83)	(11,088)
Additions	21,536	904,548	926,084	--	155,064	--	8,675	1,089,823
Revised decommissioning cost	--	--	--	--	(1,135,751)	(348,697)	--	(1,484,448)
Transfers	(30,562)	(122,372)	(152,934)	--	152,934	--	--	--
Disposals	(4,441)	--	(4,441)	--	--	--	--	(4,441)
Amortisation charge	--	--	--	--	(1,227,187)	(54,807)	(7,795)	(1,289,789)
Closing net book amount	270,896	1,581,597	1,852,493	254,585	3,748,431	365,093	41,720	6,262,322
As at 2013 September 30								
Cost	270,896	1,581,597	1,852,493	391,153	14,063,571	894,760	167,696	17,369,673
Accumulated amortisation	--	--	--	(136,568)	(10,315,140)	(529,667)	(125,976)	(11,107,351)
Net book amount	270,896	1,581,597	1,852,493	254,585	3,748,431	365,093	41,720	6,262,322

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

7 Intangible assets (continued)

Amortisation write-back/(charge) of \$495,219 (2014: \$943,059; 2013: \$1,281,994) has been charged in cost of sales while 2015, \$7,513 (2014: \$9,600; 2013: \$7,795 has been charged to other operating expenses. Impairment losses of \$146,025 were recorded in the year ended 2015 September 30 while there were no losses recorded for years ended 2013 September 30 and 2014 September 30.

Costs not subject to amortisation totalled \$2,350,682 (2014: \$2,593,989; 2013: \$1,852,493). Included in production assets is an amount of \$31,397 (2014: \$36,020; 2013: \$35,157) in respect of assets under construction and a net amortised amount of \$152,550 (2014: \$1,542,233; 2013: \$1,061,307) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to fifteen (15) years. Included in refining and marketing assets is a net amortised amount 2015 \$751,526 (2014: \$843,286; 2013: \$352,795) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to thirteen (13) years.

Included in Development assets is interest capitalised on general borrowings of \$39,255 (2014: \$40,898; 2013: \$37,721). The capitalisation rate on general borrowings is 1.86% (2014: 1.29%; 2013: 1.30%).

(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\$55.49 (TT\$352.13) and price per mscf of natural gas of *US\$1.35 (TT\$8.54), estimated using the market assumptions of the Company's Budget for the year ending 2016 September 30 and 2016-2020 Business Plan;
- the future cash flows were adjusted to reflect risks specific to the cash generating unit and risks surrounding the cash flows. These cash flows were discounted using a rate of 6.00% 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 2015 September 30 is \$251,645.

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 2015 September 30 and consequently no write down of goodwill is required.

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

8 Impairment of fixed assets

In assessing whether a write-down is required in the carrying value of a potentially impaired intangible asset, or an item of property, plant and equipment, its carrying value is compared with its recoverable amounts. Unless otherwise indicated, the recoverable amount used in assessing the impairment charges (described below) is its value-in-use which is derived using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and are discounted using a pre-tax discount rate of 6.00% per annum. This discount rate is derived using the 20-year US\$ borrowing rate for the Government of the Republic of Trinidad and Tobago plus an on-lending premium.

Exploration and Production

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

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

The group recorded impairment losses on three fields of \$157,840, (2014: reversal of previous years' impairment losses of \$3,189 ; 2013: impairment loss of \$3,220) with respect to one cash generating unit. It is estimated that an increase in the cost of capital by 5% would not cause the carrying amount to exceed the recoverable amount.

In light of lower crude oil and gas prices subsequent to the year ended 2015 September 30, a sensitivity analysis was done using average forecast prices based on the 2016-2020 Business plan. (Cash Flows showed one additional cash generating unit as being impaired.

Exploration and Evaluation assets

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

8 Impairment of fixed assets (continued)

Amounts related to exploration activities were written off in the Consolidated Statement of Profit or Loss and other Comprehensive Income in the year ended 2015 September 30 of \$5,930 (2014: \$nil; 2013: \$4,530).

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\$10.10 per barrel. For the purpose of determining value-in-use, risk-adjusted cash flows for a period of 18 years have been used at a discount rate of 6.00% per annum.

Refining and marketing recoverable amount exceeds its carrying amount by \$1,462,012. Based on sensitivity analysis, a change of 1% in the cost of capital would change the value-in-use by \$1,445,305. A change in gross margin of *US\$0.50 /bbl would change the value-in-use by \$1,387,339.

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

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

Costs related to exploration activities that were expensed in the year ended 2015 September 30 were \$5,930 (2014: \$nil; 2013: \$4,530).

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

	As at September 30		
	2015	2014	2013
Payable to contractors and operators	\$ 4,802	\$ 8,498	\$ 3,472

	Year ended September 30		
	2015	2014	2013
Net cash used in operating activities	\$ (5,930)	\$ --	\$ (4,530)
Net cash used in investing activities	\$ (47,712)	\$ (421,907)	\$ (20,673)

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement benefit asset/ (obligation)

10.1 Employee benefits

The majority of the Company's employees participated in one of the Company's two (2) pension plans (the Plans). The Plans are of the defined benefit type and are established under Trust with the following Trustees:

Pension Plan	Membership	Trustee
Petrotrin Employees' Pension Plan (PEPP)	All employees excluding ex-Trintopec monthly rated employees	Republic Bank Limited – Trust and Asset Management Division
Trintopec Staff Pension Plan (SPP)	All ex-Trintopec monthly rated employees	RBC Trust Limited

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

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

Employees contribute to the Plans at a rate of 7% of pensionable pay (basic salary, wages and cost of living allowance), reducing to 4% after 31 years' pensionable service. For the year ended 2015 September 30, 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 are subject to a limitation of 66 2/3 % of final pensionable earnings. Upon retirement, the member has an option of either 100% monthly pension or 75% reduced monthly pension plus a tax-free lump sum. The pension is guaranteed for 15 years and payable for the lifetime of the member;
- Death after retirement benefit equal to a lump sum of three (3) months pensionable basic earnings at time of retirement;
- Death in service benefit of refund of contributions plus interest in addition to four (4) times member's annual pensionable earnings at the time of death;
- Disability benefit equal to 60% of pensionable earnings at time of disability for a fixed 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 2013 September 30 and revealed that the funding level of the PEPP was 107% whilst that of the SPP was 147%. The aggregate market value of assets of the former Plans that now form the PEPP stood at \$9,286,800 as at 2013 September 30 while that of the SPP stood at \$1,754,300.

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)

10 Retirement benefit asset/(obligation)

10.1 Employee benefits (continued)

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

An updated valuation of all of the Plans' assets and expected liabilities as at 2015 September 30, was carried out by independent actuaries in accordance with the requirements of IAS 19 revised. This valuation is based on the most recent full actuarial valuation at 2013 September 30, rolled forward to reflect developments since that date which would have a significant effect on the defined benefit obligation and service cost and on up-to-date asset values. Financial assumptions used in the 2013 valuation are revised to reflect prevailing current economic conditions while the demographic assumptions remain identical to those used in the latest full actuarial valuation.

The charge to the Profit and Loss includes current service cost, net interest on net retirement benefit/obligation, past service cost and administrative expenses.

		2015	As at September 30 2014	2013
Asset/(Obligation) in statement of financial position:				
Retirement benefit (obligation)/asset - Pension benefits	(a)	\$ (28,500)	\$ 444,500	\$ 476,000
Retirement benefit obligation - Medical benefits	(b)	<u>(2,969,100)</u>	<u>(2,871,500)</u>	<u>(2,604,500)</u>
		<u>\$ (2,997,600)</u>	<u>\$ (2,427,000)</u>	<u>\$ (2,128,500)</u>
Year ended September 30				
		2015	2014	2013
Expense recognised in profit or loss:				
Net pension cost	(a)	\$ (238,600)	\$ (241,400)	\$ (244,700)
Net benefit cost	(b)	<u>(217,400)</u>	<u>(199,800)</u>	<u>(182,900)</u>
		<u>\$ (456,000)</u>	<u>\$ (441,200)</u>	<u>\$ (427,600)</u>

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)

10 Retirement benefit asset/(obligation) (continued)

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

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

		As at September 30	
	2015	2014	2013
Present value of defined benefit obligation	\$ (10,451,200)	\$ (10,421,200)	\$ (10,296,500)
Fair value of Plan assets	<u>10,845,800</u>	<u>11,314,700</u>	<u>11,007,700</u>
Surplus	394,600	893,500	711,200
Effects of Asset Ceiling	<u>(423,100)</u>	<u>(449,000)</u>	<u>(235,200)</u>
Net retirement benefit (obligation)/asset	<u>\$ (28,500)</u>	<u>\$444,500</u>	<u>\$ 476,000</u>

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

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

		As at September 30	
	2015	2014	2013
Defined benefit obligation at start of year	\$ (10,421,200)	\$ (10,296,500)	\$ (10,031,300)
Current service cost	(261,100)	(265,500)	(256,400)
Interest cost	(505,100)	(501,200)	(487,800)
Members' contributions	(83,500)	(85,600)	(82,900)
Re-measurement:			
-Experience adjustments	173,400	178,000	5,400
Benefits paid	<u>646,300</u>	<u>549,600</u>	<u>556,500</u>
Defined benefit obligation at end of year	<u>\$ (10,451,200)</u>	<u>\$ (10,421,200)</u>	<u>\$ (10,296,500)</u>

Movement in Fair Value of Plan assets during the year:

		As at September 30	
	2015	2014	2013
Fair Value of Plan assets at start of year	\$11,314,700	\$11,007,700	\$ 10,406,400
Interest income	555,700	542,900	512,500
Return on Plan assets, excluding interest income	(616,900)	68,900	404,600
Company contributions	160,700	165,000	163,400
Members' contributions	83,500	85,600	82,900
Benefits paid	(646,300)	(549,600)	(556,500)
Administrative expenses	<u>(5,600)</u>	<u>(5,800)</u>	<u>(5,600)</u>
Fair Value of Plan Assets at end of year	<u>\$ 10,845,800</u>	<u>\$ 11,314,700</u>	<u>\$ 11,007,700</u>

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

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

	2015	As at September 30 2014	2013
Retirement benefit asset at start of year	\$ 444,500	\$ 476,000	\$ 226,300
Net pension cost	\$ (238,600)	\$ (241,400)	\$ (244,700)
Re-measurement recognised in other comprehensive income	(395,100)	44,900	331,000
Company contributions paid	<u>160,700</u>	<u>165,000</u>	<u>163,400</u>
Retirement benefit (obligation)/asset at end of year	<u>\$ (28,500)</u>	<u>\$ 444,500</u>	<u>\$ 476,000</u>

Contributions to post-employment benefit plans for the year ending 2016 September 30 are expected to be approximately \$159,000.

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

	Year ended September 30		
	2015	2014	2013
Current service cost	\$ (261,100)	\$ (265,500)	\$ (256,400)
Interest income on Plan assets	28,100	29,900	17,300
Administrative expenses	<u>\$ (5,600)</u>	<u>\$ (5,800)</u>	<u>(5,600)</u>
Net pension cost (Note 27)	<u>\$ (238,600)</u>	<u>\$ (241,400)</u>	<u>\$ (244,700)</u>

Re-measurements recognised in Other Comprehensive Income:

	Year ended September 30		
	2015	2014	2013
Experience gains/(losses)	\$ (443,500)	\$ 246,900	\$ 410,000
Effect of asset ceiling	<u>48,400</u>	<u>(202,000)</u>	<u>(79,000)</u>
Re-measurements recognised in other comprehensive income	<u>\$ (395,100)</u>	<u>\$ 44,900</u>	<u>\$ 331,000</u>

The actual return on the Plan assets was:

	As at September 30		
	2015	2014	2013
Actual return on Plan assets	<u>\$ 61,200</u>	<u>\$ 611,800</u>	<u>\$ 917,100</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement benefit asset/(obligation) (continued)

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

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

	As at September 30		
	2015	2014	2013
Locally listed equities	\$ 3,597,800	\$ 3,641,000	\$ 3,507,600
Overseas equities	1,594,900	1,638,700	1,503,500
Bonds	5,051,600	5,458,400	5,059,800
Mortgages	12,100	16,500	22,200
Mutual Funds	95,600	100,400	97,400
Cash and cash equivalents	<u>493,800</u>	<u>459,700</u>	<u>817,200</u>
Fair value of Plan assets at end of year	\$ 10,845,800	\$ 11,314,700	\$ 11,007,700

The principal actuarial assumptions used were as follows*:

	As at September 30		
	2015	2014	2013
Discount rate	5.00%	5.00%	5.00%
Future salary increases	4.75%	4.75%	4.75%

* Percentages shown are per annum

No allowance was made for increases to pensions in payment or deferment. This is consistent with the basis used in previous years. Any pension increases granted are thus treated as a once-off event and would give rise to a past service cost under IAS 19 in the year of implementation. An allowance for future administrative expenses of 0.5% of pensionable earnings was assumed in the respective years.

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

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

Mortality assumptions:

	As at September 30		
	2015	2014	2013
Life expectancy at age 60 for current pensioners in years			
Male	21.0	21.0	21.0
Female	25.1	25.1	25.1
Life expectancy at age 60 for current members aged 40 in years			
Male	21.4	21.4	21.4
Female	25.4	25.4	25.4

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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

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

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 2015 September 30, would have changed as a result of a change in these assumptions.

	1% pa higher \$	1% pa lower \$
- Discount rate	(1,048,600)	1,288,300
- Future salary increases	316,600	(278,400)

An increase of one (1) year in the assumed life expectancies shown above would increase the defined benefit obligation at 2015 September 30, by \$166,000.

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

(b) Retirement benefit obligation - medical benefits

Movement in Present Value of Retirement Benefit Obligation:

	2015	As at September 30	
		2014	2013
Retirement benefit obligation at start of year	\$ (2,871,500)	\$ (2,604,500)	\$ (2,378,900)
Current service cost	(76,400)	(71,900)	(66,000)
Interest cost	(141,000)	(127,900)	(116,900)
<i>Re-measurement:</i>			
- Experience Adjustments	15,700	(160,700)	(134,200)
Benefits paid by Company (net of retiree contributions)	<u>104,100</u>	<u>93,500</u>	<u>91,500</u>
Retirement benefit obligation at end of year	<u>\$ (2,969,100)</u>	<u>\$ (2,871,500)</u>	<u>\$ (2,604,500)</u>

Reconciliation of Opening and Closing Balance Sheet Entries:

	2015	As at September 30	
		2014	2013
Retirement benefit obligation at start of year	\$ (2,871,500)	\$ (2,604,500)	\$ (2,378,900)
Net benefit cost	(217,400)	(199,800)	(182,900)
Re-measurements recognised in other comprehensive income	15,700	(160,700)	(134,200)
Benefits paid by Company (net of retiree contributions)	<u>104,100</u>	<u>93,500</u>	<u>91,500</u>
Retirement benefit obligation at end of year	<u>\$ (2,969,100)</u>	<u>\$ (2,871,500)</u>	<u>\$ (2,604,500)</u>

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)

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

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

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

	Year ended September 30		
	2015	2014	2013
Current service cost	\$ (76,400)	\$ (71,900)	\$ (66,000)
Interest on retirement benefit obligation	<u>(141,000)</u>	<u>(127,900)</u>	<u>(116,900)</u>
Net benefit cost (Note 28)	<u>\$ (217,400)</u>	<u>\$ (199,800)</u>	<u>\$ (182,900)</u>

Re-measurements recognised in Other Comprehensive Income:

	Year ended September 30		
	2015	2014	2013
Experience gains/(losses)	<u>\$ 15,700</u>	<u>\$ (160,700)</u>	<u>\$ (134,200)</u>

Summary of principal assumptions used were as follows*:

	As at September 30		
	2015	2014	2013
Discount rate	5.00%	5.00%	5.00%
Medical expenses increases	5.75%	5.75%	5.75%

* Percentages shown are per annum.

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 2015 September 30 would have changed as a result of a change in the assumptions used.

	1% pa higher	1% pa lower
	\$	\$
- Discount rate	(404,000)	519,100
- Medical expenses increases	511,400	(409,300)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 2015 September 30 by \$164,000.

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

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)

11. Available-for-sale financial instruments

	As at September 30		
	2015	2014	2013
La Brea Industrial Development Company Limited (LABIDCO)	--	--	3,983
Colonial Life Insurance Company Limited (CLICO)	2,132	2,229	2,060
Metal Industries Company Limited	190	191	192
Lake Asphalt of Trinidad and Tobago (1975) Limited (LATT)	<u>--</u>	<u>--</u>	<u>1</u>
	<u>\$ 2,322</u>	<u>\$ 2,420</u>	<u>\$ 6,236</u>

There were no disposals during the year and no impairment loss was recorded in the year ended 2015 September 30 (2014 and 2013: nil). During the year ended 2015 September 30, the Group recovered \$4,669 related to one of its investments, and in turn reversed the equivalent amount of previously recognised impairment losses. These investments are not rated.

12. Investment in joint venture

	As at September 30		
	2015	2014	2013
World GTL Trinidad Limited (WGTL TL)	<u>\$ --</u>	<u>\$ 1</u>	<u>\$ 1</u>

At inception in 2006, WGTL TL was a jointly controlled entity between World GTL St Lucia Limited and Petrotrin, with common stock shareholding of 51% and 49% respectively.

Pursuant to the Guarantee Contribution Agreement of 2007 January 12, relating to the funding requirements for the Gas-to-Liquid plant, Petrotrin financed cost overruns which were to be borne by World GTL Inc.

Due to significant increases in capital construction costs and the inability to meet project completion dates for the Gas-to-Liquids plant being constructed by WGTL TL, Petrotrin in its capacity as lender placed this jointly controlled entity in receivership on 2009 September 25. The asset was fully impaired in the year ended 2009 September 30. No additional impairment losses or reversals of previous impairment losses were recorded in the years ended 2010 September 30 to 2015 September. No financial statements were received from WGTL TL for the years ending 2010 September 30 to 2015 September 30. Therefore, Petrotrin's share of losses/profits could not be determined.

On 2011 February 01, the Receiver published a notice advertising the sale of an unfinished Gas-to-Liquids plant and other assets of WGTL TL.

On 2010 February 24, Petrotrin commenced arbitration against the WGTL Parties in the International Court of Arbitration of the International Chamber of Commerce (the "ICC") seeking the transfer of the common stock shares of WGTL TL to Petrotrin as required by the Guarantee Contribution Agreement. On 2015 April 07 the Parties entered into a Settlement Agreement and on 2015 April 08 they requested that the Court (Southern District of New York) order entry of Consent Judgments confirming Final Arbitration Awards. As a result WGTL TL is now a wholly owned subsidiary of Petrotrin.

The value of the shares owned by Petrotrin in WGTL TL has been reported at \$1, until a valuation being undertaken by an independent consulting firm is completed.

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)

13. Investment in Associate

	As at September 30		
	2015	2014	2013
La Brea Industrial Development Company Limited (LABIDCO)	\$ <u>32,582</u>	\$ <u>30,305</u>	\$ <u>--</u>

LABIDCO is principally engaged in the promotion and development of an industrial estate as well as marine infrastructure facilities at La Brea. Petrotrin currently holds a 19% share of equity interest in this associate, and has significant influence through representation on the Board of the investee and participation in the policy making process. The Group recognised a share of profit of \$2,376 during the year ended 2015 September 30 (2014: \$26,407; 2013: \$nil).

14. Net Deferred Income Tax Assets/(Liabilities)

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

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

	As at September 30		
	2015	2014	2013
At start of year	\$ 3,391,901	\$ 1,866,668	\$ 98,683
Credit for the year:			
Recognised in profit or loss (Note 32)	892,157	1,467,333	1,873,613
Recognised in other comprehensive income	<u>200,513</u>	<u>57,900</u>	<u>(105,628)</u>
At end of year	\$ <u>4,484,571</u>	\$ <u>3,391,901</u>	\$ <u>1,866,668</u>

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

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Consolidated Financial Statements (continued)*(Presented in Thousands of Trinidad and Tobago dollars)***14. Net Deferred Income Tax Assets/(Liabilities) (continued)**

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

	As at 2014 September 30	(Charged)/Credited		As at 2015 September 30
	\$	Profit/(loss) \$	Other comprehensive income \$	\$
Deferred income tax assets				
Retirement benefit obligation	1,522,355	59,879	(8,298)	1,573,936
Provision for abandonment	3,840,535	(1,452,229)	--	2,388,306
Vacation leave payable	98,787	3,751	--	102,538
Interest payable	250,372	(3,740)	--	246,632
Retirement benefit asset	(227,900)	41,169	208,811	22,080
Tax losses carried forward	8,872,421	1,829,505	--	10,701,926
	<u>14,356,570</u>	<u>478,335</u>	<u>200,513</u>	<u>15,035,418</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(2,847,136)	602,234	--	(2,244,902)
Accelerated tax depreciation (R&M)	(8,061,015)	(233,318)	--	(8,294,333)
Exchange gain	(56,518)	44,906	--	(11,612)
	<u>(10,964,669)</u>	<u>413,822</u>	<u>--</u>	<u>(10,550,847)</u>
Net deferred income tax assets	<u>3,391,901</u>	<u>892,157</u>	<u>200,513</u>	<u>4,484,571</u>

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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

	As at 2013	(Charged)/Credited		As at 2014
	September 30	Profit/(loss)	Other comprehensive income	September 30
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	1,390,803	51,202	80,350	1,522,355
Provision for abandonment	3,031,604	808,931	--	3,840,535
Vacation leave payable	97,119	1,668	--	98,787
Interest payable	244,770	5,602	--	250,372
Tax losses carried forward	<u>6,777,907</u>	<u>2,094,514</u>	<u>--</u>	<u>8,872,421</u>
	<u>11,542,203</u>	<u>2,961,917</u>	<u>80,350</u>	<u>14,584,470</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(2,251,639)	(595,497)	--	(2,847,136)
Accelerated tax depreciation (R&M)	(7,171,321)	(889,694)	--	(8,061,015)
Retirement benefit asset	(254,184)	48,734	(22,450)	(227,900)
Exchange gain	<u>1,609</u>	<u>(58,127)</u>	<u>--</u>	<u>(56,518)</u>
	<u>(9,675,535)</u>	<u>(1,494,584)</u>	<u>(22,450)</u>	<u>(11,192,569)</u>
Net deferred income tax assets	<u><u>1,866,668</u></u>	<u><u>1,467,333</u></u>	<u><u>57,900</u></u>	<u><u>3,391,901</u></u>
	As at 2012	(Charged)/Credited		As at 2013
	September 30	Profit/(loss)	Other comprehensive income	September 30
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	1,270,333	297,224	(176,754)	1,390,803
Provision for abandonment	3,607,680	(576,076)	--	3,031,604
Vacation leave payable	92,549	4,570	--	97,119
Interest payable	267,308	(22,538)	--	244,770
Tax losses carried forward	<u>4,661,743</u>	<u>2,116,164</u>	<u>--</u>	<u>6,777,907</u>
	<u>9,899,613</u>	<u>1,819,344</u>	<u>(176,754)</u>	<u>11,542,203</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(3,152,539)	900,900	--	(2,251,639)
Accelerated tax depreciation (R&M)	(6,521,806)	(649,515)	--	(7,171,321)
Retirement benefit asset	(120,844)	(204,466)	71,126	(254,184)
Exchange gain/(loss)	<u>(5,741)</u>	<u>7,350</u>	<u>--</u>	<u>1,609</u>
	<u>(9,800,930)</u>	<u>54,269</u>	<u>71,126</u>	<u>(9,675,535)</u>
Net deferred income tax assets	<u><u>98,683</u></u>	<u><u>1,873,613</u></u>	<u><u>(105,628)</u></u>	<u><u>1,866,668</u></u>

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

15. Income taxes recoverable

	As at September 30		
2015	2014	2013	
\$ 530,683	\$ 530,683	\$ 530,683	

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

16. Cash in escrow - shareholder

	As at September 30		
2015	2014	2013	
\$ 149,384	\$ 109,858	\$ 84,839	

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

17. Loans receivable

	As at September 30		
	2015	2014	2013
(a) Point Fortin LNG Exports Limited	\$ --	\$ --	\$ 1,929
(b) World GTL Trinidad Limited (WGTL TL) in receivership	--	--	--
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,929</u>
<i>of which:</i>			
Current portion	\$ --	\$ --	\$ 1,252
Non-current portion	--	--	677
At end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,929</u>
Beginning of year	\$ --	\$ 1,929	\$ 3,386
Disbursements	5,300	5,068	5,173
Impairment loss (Note 28)	(5,300)	(5,068)	(5,173)
Reversal of previous impairment losses (Note 28)	--	88	420
Recoveries	--	(2,013)	(1,877)
Exchange differences	--	(4)	--
End of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,929</u>

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Notes to the Consolidated Financial Statements (continued)

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17. Loans receivable (continued)

- (a) This amount represents a non-interest bearing loan, which was Petrotrin's share (19.5%) of Point Fortin LNG Exports Limited's (PFLE) funding request of its shareholders. Under the PFLE Shareholders/Affiliates Facility Agreement of 2002 May 01, Petrotrin along with the other shareholders of PFLE agreed to each make available a revolving working capital facility of an amount up to a total of US\$10,000 (TT\$63,583) for an initial period to 2009 June 30, with any outstanding amounts being repayable in full by 2009 December. This loan was fully repaid in 2014 July.
- (b) At a meeting held on 2009 November 18 the Board of Directors agreed that all funds advanced by Petrotrin to the Receiver will form a secured loan between Petrotrin and the Receiver, at an interest rate of 10.37% for a term of three (3) years with a one (1) year moratorium on principal repayment.

A full provision for impairment was recognised on this loan receivable at 2010 September 30 (US\$42,452/TT\$268,809*). Additional disbursements of TT\$5,300 were made in the year ended 2015 September 30 (2014: TT\$5,068; 2013: TT\$5,173). A full provision was also made for these amounts.

* This US\$ amount has been converted to TT\$ at the rate prevailing at the date of the transaction.

18. Inventories

		As at September 30	
	2015	2014	2013
Materials and supplies	\$ 673,725	\$ 738,642	\$ 599,562
Less: provision for obsolescence	<u>(62,474)</u>	<u>(69,724)</u>	<u>(64,663)</u>
	611,251	668,918	534,899
Crude oil	532,109	1,250,575	1,152,417
Refined products	<u>1,074,591</u>	<u>2,183,738</u>	<u>2,705,017</u>
	<u>\$ 2,217,951</u>	<u>\$ 4,103,231</u>	<u>\$ 4,392,333</u>

The Group recognised an increase of \$8,007 (increase of \$5,061 in 2014 and a decrease of \$8,545 in 2013) in the provision for obsolescence of its inventories.

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Notes to the Consolidated Financial Statements (continued)

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19. Receivables and prepayments

	As at September 30		
	2015	2014	2013
Trade receivables	\$ 1,037,434	\$ 3,457,277	\$ 4,192,596
Less: provision for impairment of trade receivables	<u>(821)</u>	<u>(62,120)</u>	<u>(115,082)</u>
	<u>1,036,613</u>	<u>3,395,157</u>	<u>4,077,514</u>
Related Parties	1,179,268	3,131,479	5,724,400
Less: provision for impairment of receivables	<u>(68,908)</u>	<u>(194,783)</u>	<u>(374,359)</u>
	<u>1,110,360</u>	<u>2,936,696</u>	<u>5,350,041</u>
Other receivables	299,168	823,476	806,089
Less: provision for impairment of other receivables	<u>(181,015)</u>	<u>(147,056)</u>	<u>(149,904)</u>
	<u>118,153</u>	<u>676,420</u>	<u>656,185</u>
Trade and other receivables excluding prepayments and taxes	2,265,126	7,008,273	10,083,740
Taxes recoverable	15,598	3,534	2,466
Prepayments	<u>305,717</u>	<u>330,065</u>	<u>284,420</u>
Trade and other receivables including prepayments and taxes	<u>\$ 2,586,441</u>	<u>\$ 7,341,872</u>	<u>\$ 10,370,626</u>

20. Cash and cash equivalents

	As at September 30		
	2015	2014	2013
Cash at bank and in hand	\$ 488,666	\$ 332,458	\$ 372,587
Short-term bank deposits	<u>1,243,252</u>	<u>1,475,842</u>	<u>1,923,444</u>
	<u>\$ 1,731,918</u>	<u>\$ 1,808,300</u>	<u>\$ 2,296,031</u>

The weighted average effective interest rate on short-term deposits was 0.21% (2014: 0.26% ; 2013 0.18%). These deposits have an average maturity of one day (2014: one and a half (1.5) days; 2013 : one (1) day).

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

21. Share capital

	As at September 30		
	2015	2014	2013
Authorised			
300,000,000 ordinary shares of no par value			
Issued and fully paid			
300,000,000 ordinary shares of no par value			
	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>

22. Borrowings

The carrying amounts of borrowings are stated below:

	As at September 30		
	2015	2014	2013
Gasoline Optimisation Project /Ultra Low Sulphur Diesel Plant (a)	\$ 5,349,063	\$ 5,351,312	\$ 5,395,013
Gasoline Optimisation Project (a)	2,757,435	3,155,132	3,580,804
Other (b)	<u>62,347</u>	<u>62,411</u>	<u>62,711</u>
Total borrowings (at fixed rates)	<u>\$ 8,168,845</u>	<u>\$ 8,568,855</u>	<u>\$ 9,038,528</u>
<i>of which:</i>			
Current portion	\$ 454,185	\$ 454,479	\$ 458,016
Non-current portion	<u>7,714,660</u>	<u>8,114,376</u>	<u>8,580,512</u>
	<u>\$ 8,168,845</u>	<u>\$ 8,568,855</u>	<u>\$ 9,038,528</u>
Maturity of non-current borrowings			
Later than 1 and less than 3 years	\$ 785,559	\$ 785,890	\$ 792,259
Between 3 and 4 years	5,742,877	393,910	397,036
5 years and over	<u>1,186,224</u>	<u>6,934,576</u>	<u>7,391,217</u>
	<u>\$ 7,714,660</u>	<u>\$ 8,114,376</u>	<u>\$ 8,580,512</u>
Weighted average effective interest rates:	Year ended September 30		
	2015	2014	2013
- bank borrowings (medium and long-term)	8.48%	8.36%	8.26%

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22. Borrowings (continued)

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

Description	US\$850 Million	US\$750 Million
Carrying value at 2015 September 30	TT\$5,349,063	TT\$2,757,435
Carrying value at 2014 September 30	TT\$5,351,312	TT\$3,155,132
Carrying value at 2013 September 30	TT\$5,395,013	TT\$3,580,804
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	Ba1/BB+ by Moody's Investor Services and Standard and Poor's respectively	Ba1/BB+ by Moody's Investor Services and Standard and Poor's respectively
Date of loan	2009 August 14	2007 May 08
Fixed coupon rate	9.75% per annum	6.00% per annum
Yield	7.28%	7.46%
Tenor	10 years	15 years
Moratorium	--	3 years on principal repayments
Interest payments	Payable semi-annually on August 14 and February 14 commencing on 2009 August 14	Payable semi-annually on May 08 and November 08 commencing 2007 May 08
Principal repayments	Bullet	24 equal semi-annual instalments on each May 08 and November 08 of US\$31,250/TT\$200,503 beginning November 08, 2010
Maturity	2019 August 14	2022 May 08
Redemption	Subject to optional redemption	Subject to optional redemption

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

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

The ULSD Plant is a high pressure, catalytic, hydrotreating process utilising the SynSat licensed process technology. Upon implementation, Petrotrin will produce improved quality diesel that will meet new local and international quality specifications. In addition, the new ULSD Plant will provide additional value as it would enable our refinery to process a broader range of crude oils, and can result in the substitution of relatively expensive crudes with some that are less expensive, improving overall margins. Mechanical completion on this project is estimated at 2016 June.

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

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22. Borrowings (continued)

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

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

(b) Other

	As at September 30		
	2015	2014	2013
The National Gas Company of Trinidad and Tobago Limited	\$ <u>62,347</u>	\$ <u>62,411</u>	\$ <u>62,711</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.

23. Provisions

Decommissioning costs

	2015	As at September 30	
		2014	2013
At start of year	\$ 7,163,047	\$ 5,698,825	\$ 6,772,205
Revised costs estimates	(2,976,663)	1,178,762	(1,484,448)
<i>Charge to profit or loss:</i>			
- Finance charge (Note 28)	338,652	344,987	411,621
- Utilisation	(5,257)	(2,954)	(2,774)
Translation differences	<u>(15,969)</u>	<u>(56,573)</u>	<u>2,221</u>
At end of year	\$ <u>4,503,810</u>	\$ <u>7,163,047</u>	\$ <u>5,698,825</u>
<i>of which:</i>			
Current portion	2,519	13,223	13,752
Non-current portion	<u>4,501,291</u>	<u>7,149,824</u>	<u>5,685,073</u>
At end of year	<u>4,503,810</u>	<u>7,163,047</u>	<u>5,698,825</u>

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

The estimated decommissioning cost at the end of the producing lives of fields is reviewed annually and is based on engineering estimates and reports. Provision is made for the estimated cost of decommissioning at the reporting date. The provision has been estimated using existing technology, at current prices, and discounted using a risk adjusted rate of 6.00% (2014: 4.75%; 2013: 6.15%) per annum. The reduction in decommissioning costs in the year ended 2015 September 30 is mainly due to a higher discount rate applied over extended producing lives of the fields (\$2,815,761), combined with a reduction in cost structures (\$160,882). The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be between 2017 and 2065.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

24. Trade and other payables

	As at September 30		
	2015	2014	2013
Trade payables	\$ 755,400	\$ 1,141,084	\$ 1,595,051
Due to related parties	143,265	177,134	189,800
Benefits due to employees	716,620	640,685	596,656
Accrued expenses	1,177,443	1,170,024	1,564,862
Accrued interest	157,343	163,192	165,399
Other payables	<u>301,738</u>	<u>193,983</u>	<u>203,707</u>
Trade and other payables excluding statutory liabilities	3,251,809	3,486,102	4,315,475
Due to Government of Trinidad and Tobago			
- Royalties	240,587	331,112	310,150
- Taxes other than income taxes	<u>104,043</u>	<u>118,176</u>	<u>172,613</u>
Trade and other payables including statutory liabilities	<u>\$ 3,596,439</u>	<u>\$ 3,935,390</u>	<u>\$ 4,798,238</u>

25. Short-term loans

Short-term loans	<u>\$ 4,984,394</u>	<u>\$ 5,565,006</u>	<u>\$ 3,979,968</u>
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Short-term loans during the year were unsecured with effective interest rates ranging from 1.03% to 2.39% (2014: 0.97% to 1.63%; 2013: 1.16% to 1.85%) per annum. They had varying maturity dates of 59 to 180 days (2014: 88 to 209 days; 2013: 119 to 180 days).

26. Revenue

	Year ended September 30		
	2015	2014	2013
Refined products sales	\$ 18,496,292	\$ 27,274,110	\$ 30,178,270
Natural gas sales	489,302	714,297	459,066
Crude oil sales	269,105	444,605	494,308
Royalty income	456,322	737,235	714,843
Natural gas liquids sales	39,626	79,421	63,626
Other revenue	<u>999</u>	<u>976</u>	<u>1,292</u>
	<u>\$ 19,751,646</u>	<u>\$ 29,250,644</u>	<u>\$ 31,911,405</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

27. Other operating income

	Year ended September 30		
	2015	2014	2013
Marine income	\$ 53,783	\$ 51,329	\$ 46,994
Processing fees	4,909	2,902	2,644
Income from utilities	7,137	44,556	48,209
Interest on receivables	72,237	153,992	152,269
Other income	<u>54,624</u>	<u>53,763</u>	<u>53,328</u>
	<u>\$ 192,690</u>	<u>\$ 306,542</u>	<u>\$ 303,444</u>

28. Operating costs by nature

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

	Year ended 2015 September 30				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	11,588,957	--	--	--	11,588,957
Production taxes	1,422,327	--	--	--	1,422,327
Employee benefits expense (excluding retirement benefits) (Note 30)	1,420,981	795,634	61,739	--	2,278,354
Production and refining expenses	1,750,898	--	--	--	1,750,898
Movement in inventories	1,838,584	--	--	--	1,838,584
Amortisation of intangible assets (write-back)/charge (Note 7)	(495,219)	--	--	7,513	(487,706)
Depreciation (Note 6)	1,200,081	--	--	14,905	1,214,986
Operating lease rental	430,752	13,669	2,626	--	447,047
Gain on disposal of property, plant and equipment (Note 37)	--	--	--	(16)	(16)
Net benefit cost (Note 10)	--	217,400	--	--	217,400
Loss on foreign currency exchange	--	--	--	26,026	26,026
Charge for bad and doubtful debts (Note 4.1 (b))	68,321	66	--	--	68,387
Directors and key management remuneration (Note 35)	--	29,548	--	--	29,548
Increase in provision for inventory obsolescence (Note 18)	--	8,007	--	--	8,007
Net pension cost (Note 10)	--	238,600	--	--	238,600
Other expenses/(income)	<u>28,162</u>	<u>(32,941)</u>	<u>54,059</u>	<u>3,389</u>	<u>52,669</u>
Total	<u>19,253,844</u>	<u>1,269,983</u>	<u>118,424</u>	<u>51,817</u>	<u>20,694,068</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

28. Operating costs by nature (continued)

	Year ended 2014 September 30				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	18,670,197	--	--	--	18,670,197
Production taxes	2,994,485	--	--	--	2,994,485
Employee benefits expense (excluding retirement benefits) (Note 30)	1,373,705	762,911	121,264	--	2,257,880
Production and refining expenses	1,609,710	--	--	--	1,609,710
Movement in inventories	423,121	--	--	--	423,121
Amortisation of intangible assets (Note 7)	943,059	--	--	9,600	952,659
Depreciation (Note 6)	741,460	--	--	13,874	755,334
Operating lease rental	451,767	9,926	4,962	--	466,655
Loss on disposal of property, plant and equipment (Note 37)	--	--	--	19,319	19,319
Net benefit cost (Note 10)	--	199,800	--	--	199,800
Gain on foreign currency exchange	--	--	--	(41,711)	(41,711)
Charge for bad and doubtful debts (Note 4.1 (b))	164,187	237	--	--	164,424
Directors and key management remuneration (Note 35)	--	11,115	--	--	11,115
Decrease in provision for inventory obsolescence (Note 18)	--	5,061	--	--	5,061
Net pension cost (Note 10)	--	241,400	--	--	241,400
Other expenses	26,256	22,936	97,628	724	147,544
Total	<u>27,397,947</u>	<u>1,253,386</u>	<u>223,854</u>	<u>1,806</u>	<u>28,876,993</u>

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)

28. Operating costs by nature (continued)

	Year ended 2013 September 30				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	20,524,093	--	--	--	20,524,093
Production taxes	3,097,212	--	--	--	3,097,212
Employee benefits expense (excluding retirement benefits) (Note 30)	1,415,815	726,499	60,561	--	2,202,875
Production and refining expenses	1,582,302	--	--	--	1,582,302
Movement in inventories	578,444	--	--	--	578,444
Amortisation of intangible assets (Note 7)	1,281,994	--	--	7,795	1,289,789
Depreciation (Note 6)	907,124	--	--	12,421	919,545
Operating lease rental	297,928	16,706	902	--	315,536
Loss on disposal of property, plant and equipment (Note 37)	--	5	--	5,775	5,780
Net benefit cost (Note 10)	--	182,900	--	--	182,900
Gain on foreign currency exchange	--	--	--	(4,548)	(4,548)
Charge for bad and doubtful debts (Note 4.1 (b))	180,471	(927)	--	--	179,544
Directors and key management remuneration (Note 35)	--	9,504	--	--	9,504
Decrease in provision for inventory obsolescence (Note 18)	(9,993)	1,448	--	--	(8,545)
Net pension cost (Note 10)	--	244,700	--	--	244,700
Other expenses/(income)	77,751	53,373	(7,124)	(589)	123,411
Total	<u>29,933,141</u>	<u>1,234,208</u>	<u>54,339</u>	<u>20,854</u>	<u>31,242,542</u>

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

29. Impairment (write-back)/losses related to investments

	Year ended September 30		
	2015	2014	2013
Impairment loss related to loans receivable:			
- WGTL TL in receivership	5,300	5,068	5,173
	18 \$ 5,300	\$ 5,068	\$ 5,173
Reversal of previous impairment losses:			
- CLICO	20	(463)	(174)
- PFLE	--	(88)	(420)
- LATT	(4,669)	(14,005)	--
	\$ (4,649)	\$ (14,556)	\$ (594)
Net impairment losses/(write-back)	\$ 651	\$ (9,488)	\$ 4,579

30. Employee benefits expense (excluding retirement benefits)

	Year ended September 30		
	2015	2014	2013
Salaries and wages benefits	\$ 1,501,918	\$ 1,482,686	\$ 1,443,994
Allowances	220,966	199,564	191,225
Overtime	280,560	340,597	319,608
Other personnel costs	40,953	37,408	47,523
Medical services	92,085	61,053	69,067
Travel plan	22,590	23,534	26,571
Voluntary Selective Separation Plan	--	387	1,735
Housing aid	19,531	20,714	20,819
Savings plan	33,774	31,242	33,128
National Insurance	65,977	60,695	49,205
	\$ 2,278,354	\$ 2,257,880	\$ 2,202,875

31. Finance income and costs

- Bank borrowings	\$ (619,171)	\$ (654,206)	\$ (667,312)
- Finance charge on decommissioning costs (Note 23)	(338,652)	(344,987)	(411,638)
Finance costs	\$ (957,823)	\$ (999,193)	\$ (1,078,950)
Finance income:			
- Interest on short-term investments	2,644	3,228	2,410
Finance income and costs	\$ (955,179)	\$ (995,965)	\$ (1,076,540)

In the year ended 2015 September 30, the Group incurred interest on borrowings of \$697,300 (2014: \$717,647; 2013: \$743,554), of which \$78,129 (2014: \$63,441; 2013: \$59,799) was capitalised as interest on general borrowings and \$219,205 (2014: \$220,300; 2013: \$221,205) capitalised as interest on the ULSD Project. (See Notes 6 and 7).

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2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

32. Tax

(a) Amounts recognised in profit or loss

	Year ended September 30		
	2015	2014	2013
Tax (benefit)/expense:			
Current tax	\$ 11,943	\$ 1,388,796	\$ 1,749,096
Deferred income tax	<u>(892,157)</u>	<u>(1,467,333)</u>	<u>(1,873,613)</u>
	<u>\$ (880,214)</u>	<u>\$ (78,537)</u>	<u>\$ (124,517)</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		
	2015	2014	2013
Loss before tax	<u>\$ (1,703,184)</u>	<u>\$ (279,877)</u>	<u>\$ (108,812)</u>
Tax calculated at a rate of 55%	\$ 935,471	\$ 153,932	\$ 59,848
- Expenses not deductible for tax purposes	(13,905)	(24,923)	(26,101)
- Income not subject to tax	425	6,395	81,246
- Effect of investment tax credit (uplift)	126,387	175,305	239,996
- Prior year tax adjustment			
- PPT	(11,750)	(14,558)	(9,042)
- R&M deferred taxes rate reduction	(146,444)	(143,317)	(135,621)
- Difference due to translation	(27,725)	(44,652)	(3,984)
- Under (over) provision of prior year income taxes	<u>17,755</u>	<u>(29,645)</u>	<u>(81,825)</u>
	<u>\$ 880,214</u>	<u>\$ 78,537</u>	<u>\$ 124,517</u>

(b) Amounts recognised in other comprehensive income:

Actuarial gains/(losses) on retirement benefit (obligation)/asset – pension benefits	(395,100)	44,900	331,000
Actuarial (losses)/gains on retirement benefit obligation – medical benefits	15,700	(160,700)	(134,200)
Income tax (expense)/benefit on actuarial gains/(losses)	<u>200,513</u>	<u>57,900</u>	<u>(105,628)</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

33. Contingent liabilities

(a) Housing loan guarantee

The Group has guaranteed mortgage-housing loans amounting to approximately \$6,320 (2014: \$7,052; 2013: \$8,076) 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 \$131,821/US\$20,775 (2014: \$133,029/US\$20,922; 2013: \$133,257/US\$20,758) which expired on 2015 December 31. This credit facility was established to meet Petrotrin's 15% share of its abandonment liability with respect to its TSP Joint Venture.

(c) Litigation

Contractors' claims against the Group amounted to \$46,668(2014: \$43,715; 2013: \$330)).

There are a number of other legal claims against the Group amounting to \$29,132 (2014: \$30,776; 2013: \$29,316)) in the ordinary course of business, including employment and pollution. At present, it is not possible to predict the outcome of such legal proceedings; however, the Group believes that they will be resolved with no material impact on Group operations, financial position or liquidity.

(d) Customs bonds

Contingent liabilities of the Group in respect of custom bonds amounted to approximately \$3,308 (2014: \$2,528; 2013: \$3,483).

(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 consolidated financial statements.

(f) Financial support guarantee

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

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. Commitments

(a) Capital commitments

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

	2015	As at September 30 2014	2013
Property, plant and equipment	<u>\$ 1,917,926</u>	<u>\$ 1,559,888</u>	<u>\$ 786,348</u>

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

There were no operating lease commitments at 2015 September 30 (2014 and 2013: \$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 \$3,095,739 (2014: \$7,127,027; 2013 \$6,578,128). 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

There were no purchases commitments at 2015 September 30 (2014 and 2013: nil).

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

35. 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 arrangements.

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

Name of Company/Equity	As at 2015 September 30			
	Gross	Payables	Commitments	
	receivables			
	\$	\$	\$	\$
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and royalties	--	1,833,212	--	--
-Taxes other than income taxes	78	103,660	--	--
Entities under common control				
Trinidad and Tobago National Petroleum Marketing Company Limited	884,966	(42)	--	--
The National Gas Company of Trinidad and Tobago Limited	254	84,164	--	--
Year ended 2015 September 30				
	Cost		Revenue	
	Goods	Services	Goods	Services
	\$	\$	\$	\$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes and royalties		1,229,621	--	--
- Other		224,363	--	--
Entities under common control				
Trinidad and Tobago National Petroleum Marketing Company Limited	14,597	--	4,425,109	9,271
The National Gas Company of Trinidad and Tobago Limited	324,233	--	--	--

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

35. Related party transactions (continued)

Name of Company/Equity	As at 2014 September 30		
	Gross	Payables	Commitments
	receivables		
	\$	\$	\$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and royalties	--	5,487,119	--
- Taxes other than income taxes	115	116,978	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	2,788,650	231	--
The National Gas Company of Trinidad and Tobago Limited	175	36,200	--
<u>Joint ventures</u>			
World GTL Trinidad Limited	92,931	--	--

Year ended 2014 September 30

	Cost		Revenue	
	Goods	Services	Goods	Services
	\$	\$	\$	\$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes and royalties	--	4,039,426	--	--
- Taxes other than income taxes	--	370,342	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,176	--	6,719,452	7,906
The National Gas Company of Trinidad and Tobago Limited	297,832	--	--	--
<u>Joint venture</u>				
World GTL Trinidad Limited	--	--	17,784	--

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

35. Related party transactions (continued)

Name of Company/Equity	As at 2013 September 30			
	Gross receivables \$	Payables \$	Commitments \$	
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes and royalties	--	7,758,207	--	--
- Taxes other than income taxes	84	171,465	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	5,334,532	--	--	--
The National Gas Company of Trinidad and Tobago Limited	121	50,149	--	--
<u>Joint ventures</u>				
World GTL Trinidad Limited	75,758	--	5,064	--
Point Fortin LNG Exports Limited	1,929	--	--	--
	Year ended 2013 September 30			
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes and royalties	--	4,516,856	--	--
- Taxes other than income taxes	--	358,192	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,176	--	7,047,303	9,249
The National Gas Company of Trinidad and Tobago Limited	310,405	--	--	--
<u>Joint venture</u>				
World GTL Trinidad Limited	--	--	14,943	--

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

35. Related party transactions (continued)

Compensation of directors and key management personnel:

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

	Year ended September 30		
	2015	2014	2013
Short-term employees benefits	\$ 28,708	\$ 10,280	\$ 8,833
Long-term employees benefits	840	835	671
	<u>\$ 29,548</u>	<u>\$ 11,115</u>	<u>\$ 9,504</u>

36. Interest in joint operations

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

	As at September 30		
	2015	2014	2013
	Effective	Effective	Effective
	Interest	Interest	Interest
NCMA Block 9 Unitisation – Offshore	19.50%	19.50%	19.50%
Central Block	35.00%	35.00%	35.00%
East Brighton Block	30.00%	--	--
Moruga West	40.00%	40.00%	40.00%
Point Ligoure, Guapo Bay, Brighton Marine (PGB)	30.00%	30.00%	30.00%
South East Coast Consortium	16.00%	16.00%	16.00%
South West Peninsula	27.50%	27.50%	27.50%
Parrylands 'E' Block	25.00%	25.00%	25.00%
Teak, Samaan, Poui (TSP)	15.00%	15.00%	15.00%
Block 1a	20.00%	20.00%	20.00%
Block 1b	20.00%	20.00%	20.00%
Block 22	10.00%	10.00%	10.00%
Block 3A	15.00%	15.00%	15.00%
Galeota	35.00%	35.00%	35.00%
Guayaguayare Shallow	35.00%	35.00%	35.00%
Guayaguayare Deep	20.00%	20.00%	20.00%
Block 2ab	--	30.00%	30.00%
Mayaro/Guayaguayare	--	30.00%	30.00%
NCMA 2	20.00%	20.00%	20.00%
NCMA 3	20.00%	20.00%	20.00%
NCMA 4	20.00%	20.00%	20.00%
Rio Claro Block	20.00%	--	--
Ortoire Block	20.00%	--	--
St. Mary's Block	20.00%	--	--

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36. Interest in joint operations (continued)

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

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

	Joint operations					Total
	Block 9 – Offshore	Teak, Samaan, Poui (TSP)	Central Block	South East Coast Consortium	Other	
	As at 2015 September 30					
Assets:	\$	\$	\$	\$	\$	\$
Property, plant and equipment	536,942	374,850	194,708	173,429	253,339	1,533,268
Current assets	83,096	54,904	17,925	64,366	5,601	225,892
Liabilities:						
Current liabilities	--	--	13,145	41,157	4,840	59,142
Commitments	19,952	66,563	19,899	1,251	13,136	120,801
	Year ended 2015 September 30					
Revenue	398,159	272,045	118,744	205,640	20,063	1,014,651
Cost of Sales	(373,535)	(305,005)	(127,477)	(124,628)	(12,526)	(943,171)
Income tax expense	17,043	15,630	(12,246)	(69,567)	(7,830)	(56,970)
	As at 2014 September 30					
Assets:	\$	\$	\$	\$	\$	\$
Property, plant and equipment	773,073	425,522	242,297	108,943	193,923	1,743,758
Current assets	108,164	71,235	18,699	44,740	6,748	249,586
Liabilities:						
Current liabilities	--	--	36,220	98,401	6,081	140,702
Commitments	23,511	49,247	15,194	3,631	9,500	101,083
	Year ended 2014 September 30					
Revenue	605,975	452,655	165,738	257,231	55,053	1,536,652
Cost of Sales	(402,619)	(350,531)	(146,196)	(90,565)	(16,086)	(1,005,997)
Income tax expense	(150,627)	(104,095)	(81,273)	(118,942)	(35,366)	(490,303)

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36. Interest in joint operations (continued)

	Joint operations					Total
	Block 9 – Offshore	Teak, Samaan, Poui (TSP)	Central Block	South East Coast Consortium	Other	
	As at 2013 September 30					
Assets:	\$	\$	\$	\$	\$	\$
Property, plant and equipment	940,471	267,665	296,361	88,136	175,926	1,768,559
Current assets	140,151	69,936	29,491	68,413	5,501	313,492
Liabilities:						
Current liabilities	--	--	41,294	78,326	20,031	139,651
Commitments	53,407	52,544	19,035	4,674	12,462	142,122
	Year ended 2013 September 30					
Revenue	365,449	474,397	131,208	322,353	314,555	1,607,962
Cost of Sales	(456,949)	(373,074)	(130,718)	(87,293)	(35,780)	(1,083,814)
Income tax expense	35,877	(39,215)	(57,305)	(147,105)	(221,146)	(428,894)

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

There are no contingencies related to the Group's interest in the joint ventures. No disclosure of amounts relating to the completion of the Gas-to-Liquids Plant has been included as work has temporarily ceased. These commitments related solely to expenditure for which vendors have been contracted.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

37. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Note	Year ended September 30		
		2015	2014	2013
Operating Activities				
Loss before tax		\$ (1,703,186)	\$ (279,877)	\$ (108,812)
Amortisation of intangible assets	7	(487,706)	952,659	1,289,789
Utilisation of decommissioning provision	23	(5,257)	(2,954)	(2,774)
Depreciation	6	1,214,986	755,334	919,545
Impairment losses related to investments	29	5,300	5,068	5,173
Impairment write-back related to investments	29	(4,649)	(14,556)	(594)
Foreign currency translation loss		43,172	25,584	5,248
Finance costs	31	957,824	999,193	1,078,950
Finance income	31	(2,644)	(3,228)	(2,410)
(Gain)/Loss on disposal of property, plant and equipment	28	(16)	19,319	5,780
Share of profit of associate	13	(2,376)	(26,407)	--
Net pension cost	10	238,600	241,400	244,700
Net benefit cost	10	217,400	199,800	182,900
Taxes other than income taxes		566,797	1,644,693	1,797,360
Pension contributions paid	10	(160,700)	(165,000)	(163,400)
Post-employment medical benefits paid	10	(104,100)	(93,500)	(91,500)
Changes in working capital:				
Decrease in accounts receivables and prepayments		4,214,812	3,028,877	352,145
Decrease in inventories		1,771,557	283,006	621,566
Decrease in other liabilities		<u>(127,835)</u>	<u>(1,325,013)</u>	<u>(104,786)</u>
Cash generated from operations		<u>\$ 6,631,979</u>	<u>\$ 6,244,398</u>	<u>\$ 6,028,880</u>

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

	Year ended September 30		
	2015	2014	2013
Net book value (Notes 6 and 7)	\$ --	\$ 19,527	\$ 5,814
(Gain)/Loss on disposal (Note 28)	<u>(16)</u>	<u>19,319</u>	<u>5,780</u>
Proceeds from sales	<u>\$ 16</u>	<u>\$ 208</u>	<u>\$ 34</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

38. Subsequent events

(a) Contingent liabilities - Letter of credit

To meet Petrotrin's 15% share of its abandonment liability with respect to its TSP Joint Venture, a letter of credit facility for \$131,821/US\$20,775 (2014: \$133,029/US\$20,922; 2013: \$133,257/US\$20,758) was established with an expiry date of 2015 December 31. Effective 2016 January 01, a new facility was established for \$134,063/US\$21,128 with an expiry date of 2016 December 31.

(b) Lower Crude Oil, Natural Gas and Refined Products Prices

Subsequent to year-end, 2015 September 30, crude oil, natural gas and refined products prices used by the Group in its Value in Use assessments declined significantly in the range of 20% to 30%. Management expects that the high level of volatility displayed currently in these prices will only be for the short-term. It is Management's view that in the long-term, these prices will rebound in excess of those used in the respective valuations.

Petroleum Company of Trinidad and Tobago Limited

Separate Financial Statements

2015 September 30

(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 separate financial statements of Petroleum Company of Trinidad and Tobago Limited (the Company), which comprise the separate statement of financial position as at September 30, 2015, and the separate statements of profit or loss and other 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 separate financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate 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 separate 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 separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at September 30, 2015, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

January 27, 2016

Port of Spain, Trinidad, W.I.

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

	Note	As at September 30		
		2015	2014	2013
ASSETS:				
Non-current assets				
Property, plant and equipment	6	\$ 19,673,185	\$ 19,988,426	\$ 19,777,030
Intangible assets and goodwill	7	6,073,327	7,642,042	6,262,299
Retirement benefit asset – pension benefits	10	--	444,500	476,000
Available-for-sale financial instruments	11	190	191	4,176
Investments in subsidiaries	12	2,226	2,225	2,225
Investment in associate	13	48,336	48,435	--
Investment in joint venture	14	--	1	1
Net deferred income tax assets	15	4,488,701	3,391,909	1,853,870
Income taxes recoverable	16	530,506	530,506	530,506
Cash in escrow- shareholder	17	149,384	109,858	84,839
Loans receivable	18	--	--	677
		<u>30,965,855</u>	<u>32,158,093</u>	<u>28,991,623</u>
Current assets				
Inventories	19	2,215,766	4,100,177	4,385,699
Loans receivable	18	--	--	1,252
Receivables and prepayments	20	2,595,492	7,341,060	10,368,307
Cash and cash equivalents	21	<u>1,680,762</u>	<u>1,745,015</u>	<u>2,222,322</u>
		<u>6,492,020</u>	<u>13,186,252</u>	<u>16,977,580</u>
Total assets		<u>\$ 37,457,875</u>	<u>\$ 45,344,345</u>	<u>\$ 45,969,203</u>
EQUITY AND LIABILITIES:				
Capital and reserves attributable to equity holders of the Company				
Share capital	22	2,272,274	2,272,274	2,272,274
Retained earnings		8,734,563	9,732,933	9,941,219
Currency translation differences		<u>162,145</u>	<u>161,880</u>	<u>267,891</u>
Total equity		<u>11,168,982</u>	<u>12,167,087</u>	<u>12,481,384</u>
Liabilities				
Non-current liabilities				
Borrowings	23	7,714,660	8,114,376	8,580,512
Retirement benefit obligation – pension benefits	10	28,500	--	--
Retirement benefit obligation – medical benefits	10	2,969,100	2,871,500	2,604,500
Provisions	24	<u>4,489,848</u>	<u>7,136,724</u>	<u>5,671,580</u>
		<u>15,202,108</u>	<u>18,122,600</u>	<u>16,856,592</u>
Current liabilities				
Trade and other payables	25	3,584,549	3,928,427	4,793,131
Current tax liabilities		2,123,485	5,155,934	7,449,071
Current portion of long-term borrowings	23	391,838	392,068	395,305
Short-term loans	26	4,984,394	5,565,006	3,979,968
Provisions	24	<u>2,519</u>	<u>13,223</u>	<u>13,752</u>
		<u>11,086,785</u>	<u>15,054,658</u>	<u>16,631,227</u>
Total liabilities		<u>26,288,893</u>	<u>33,177,258</u>	<u>33,487,819</u>
Total equity and liabilities		<u>\$ 37,457,875</u>	<u>\$ 45,344,345</u>	<u>\$ 45,969,203</u>

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

On 2016 January 27 the Board of Directors of Petroleum Company of Trinidad and Tobago Limited authorised these separate financial statements for issue.



Director



Director

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

	Note	Year ended September 30		
		2015	2014	2013
Revenue	27	\$ 19,748,360	\$ 29,248,928	\$ 31,880,097
Cost of sales	29	<u>(19,252,349)</u>	<u>(27,385,086)</u>	<u>(29,895,998)</u>
Gross profit		496,011	1,863,842	1,984,099
Administrative expenses	29	(1,267,266)	(1,203,902)	(1,232,479)
Marketing expenses	29	(118,424)	(223,854)	(54,339)
Other operating expenses	29	(51,510)	(55)	(20,202)
Impairment (losses)/write-back	30	(631)	9,025	(4,753)
Other operating income	28	<u>192,456</u>	<u>306,444</u>	<u>303,310</u>
Operating (loss)/profit		(749,364)	751,500	975,636
Finance income	32	2,522	3,093	2,257
Finance costs	32	<u>(957,170)</u>	<u>(998,288)</u>	<u>(1,078,905)</u>
Net finance costs	32	<u>(954,648)</u>	<u>(995,195)</u>	<u>(1,076,648)</u>
(Loss) before tax		(1,704,012)	(243,695)	(101,012)
Income tax benefit	33	<u>884,529</u>	<u>93,309</u>	<u>122,286</u>
(Loss)/Profit for the year		(819,483)	(150,386)	21,274
Other comprehensive income				
Items that will never be reclassified to profit or (loss):				
Currency translation differences		265	(106,011)	(121)
Actuarial (losses)/gains on retirement benefit (obligation)/asset – pension benefits	10	(395,100)	44,900	331,000
Actuarial gains/(losses) on retirement benefit obligation – medical benefits	10	15,700	(160,700)	(134,200)
Income tax benefit/(expense) on other comprehensive income	33	<u>200,513</u>	<u>57,900</u>	<u>(105,628)</u>
Other comprehensive (loss)/ income, net of tax		<u>(178,622)</u>	<u>(163,911)</u>	<u>91,051</u>
Total comprehensive (loss)/income		\$ (998,105)	\$ (314,297)	\$ 112,325

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Company Statement of Changes in Equity

(Presented in Thousands of Trinidad and Tobago dollars)

	Share capital	Currency translation differences	Retained earnings	Total
	\$	\$	\$	\$
Balance at 2014 September 30	2,272,274	161,880	9,732,933	12,167,087
Loss for the year	--	--	(819,483)	(819,483)
Other comprehensive income:				
Currency translation differences	--	265	--	265
Actuarial (losses)/gains on retirement benefit obligation:				
-pension benefits	--	--	(395,100)	(395,100)
-medical benefits	--	--	15,700	15,700
Income tax benefit on other comprehensive income	--	--	200,513	200,513
Total other comprehensive income	--	265	(178,887)	(178,622)
Total comprehensive income for the period	--	265	(998,370)	(998,105)
Balance at 2015 September 30	2,272,274	162,145	8,734,563	11,168,982
Balance at 2013 September 30	2,272,274	267,891	9,941,219	12,481,384
Loss for the year	--	--	(150,386)	(150,386)
Other comprehensive income:				
Currency translation differences	--	(106,011)	--	(106,011)
Actuarial gains on defined benefit asset	--	--	44,900	44,900
Actuarial losses on defined benefit obligation	--	--	(160,700)	(160,700)
Income tax benefit on other comprehensive income	--	--	57,900	57,900
Total other comprehensive income	--	(106,011)	(57,900)	(163,911)
Total comprehensive income for the period	--	(106,011)	(208,286)	(314,297)
Balance at 2014 September 30	2,272,274	161,880	9,732,933	12,167,087
Balance at 2012 September 30	2,272,274	268,012	9,828,773	12,369,059
Profit for the year	--	--	21,274	21,274
Other comprehensive income:				
Currency translation differences	--	(121)	--	(121)
Actuarial gains on defined benefit asset	--	--	331,000	331,000
Actuarial losses on defined benefit obligation	--	--	(134,200)	(134,200)
Income tax benefit on other comprehensive income	--	--	(105,628)	(105,628)
Total other comprehensive income	--	(121)	91,172	91,051
Total comprehensive income for the period	--	(121)	112,446	112,325
Balance at 2013 September 30	2,272,274	267,891	9,941,219	12,481,384

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

Petroleum Company of Trinidad and Tobago Limited
2015 September 30
Company Statement of Cash Flows
(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	Year ended September 30		
		2015	2014	2013
Cash flows from operating activities				
Cash generated from operations	38	\$ 6,617,302	\$ 6,255,916	\$ 5,997,682
Tax paid		<u>(3,610,854)</u>	<u>(5,324,000)</u>	<u>(2,700,000)</u>
Net cash from operating activities		<u>3,006,448</u>	<u>931,916</u>	<u>3,297,682</u>
Cash flows from investing activities				
Payments for property, plant and equipment and intangible assets		(1,297,243)	(1,701,242)	(1,786,791)
Proceeds from sale of property, plant and equipment	38	16	208	34
Amounts deposited to shareholder escrow account		(31,692)	--	(59,703)
Recovery on loans to related parties		4,669	16,018	1,877
Disbursements of loans to related parties		(5,300)	(5,068)	(5,173)
Interest received		<u>2,484</u>	<u>2,959</u>	<u>2,257</u>
Net cash used in investing activities		<u>(1,327,066)</u>	<u>(1,687,125)</u>	<u>(1,847,499)</u>
Cash flows from financing activities				
Proceeds from short-term loans		9,394,464	12,145,804	9,520,265
Repayments of short-term loans		(10,009,321)	(10,527,866)	(9,226,854)
Repayments of long-term borrowings		(391,281)	(391,281)	(391,281)
Interest paid		<u>(908,586)</u>	<u>(925,586)</u>	<u>(961,891)</u>
Net cash (used in)/from financing activities		<u>(1,914,724)</u>	<u>301,071</u>	<u>(1,059,761)</u>
Currency translation differences relating to cash and cash equivalents		<u>171,089</u>	<u>(23,169)</u>	<u>5,356</u>
(Decrease)/Increase in cash and cash equivalents		<u>(64,253)</u>	<u>(477,307)</u>	<u>395,778</u>
Cash and cash equivalents at start of year		<u>1,745,015</u>	<u>2,222,322</u>	<u>1,826,544</u>
Cash and cash equivalents at end of year	21	<u>\$ 1,680,762</u>	<u>\$ 1,745,015</u>	<u>\$ 2,222,322</u>

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements

(Presented in Thousands of Trinidad and Tobago Dollars)

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

These Separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and effective for the year ended 2015 September 30.

The accounting policies that follow have been consistently applied to all years presented.

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

Users of these separate financial statements should read them with the consolidated financial statements as at and for the year ended 2015 September 30, in order to obtain full information on the financial position, results of operations and changes in financial position of the Company and its subsidiaries (Group) as a whole.

(b) Basis of measurement

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

(c) Foreign currency translation

• Functional and presentation currency

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

• Transactions and balances

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

2. Basis of preparation (continued)

(c) Foreign currency translation (continued)

• Translation to presentation currency

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

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

(d) Use of estimates and judgements

The preparation of these separate 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 separate financial statements, are disclosed in Note 5.

3. Summary of significant accounting policies

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

3.1 Accounting standards and interpretations

(a) New standards, amendments and interpretations adopted

The following new standards, amendments and interpretation effective 2014 January 1, were adopted in the current year but had no significant impact on the separate financial statements of the Company. Most of these new standards required enhanced disclosures.

- IAS 32 Offsetting Financial Assets and Financial liabilities – Amendments to IAS 32 (effective 2014 January 1). This requires that “a financial asset and a financial liability shall not be contingent on a future event and shall be offset...when, and only when, an entity currently has a legally enforceable right to set off the recognised amounts...”The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The standard further clarifies the entity should have the intention to settle the asset and liability on a net basis.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.1 Accounting standards and interpretations (continued)

(a) New standards, amendments and interpretations adopted

- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendments – effective 2014 January 1). This amendment is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal is determined using a present value technique).

- IFRIC 21 – Levies, (effective 2014 January 1) This standard provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligation event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provided the following guidance on recognition of a liability to pay levies:
 - The liability is recognised progressively if the obligation event occurs over a period of time.
 - If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.1 Accounting standards and interpretations (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 2015 January 1. The Company is in the process of assessing their full impact on its separate financial statements:

- IFRS 9 'Financial instruments part 1: Classification and measurement' (effective 2018 January 1). IFRS 9 was issued in 2009 November and 2010 October. It replaces the parts of IAS 39 that relates to the classification and measurement of financial instruments. The completed standard was issued in 2014 July, with an effective date of 2018 January 1. IFRS 9 required financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The additional amendments in 2014 July introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.
- IFRS 10 Consolidated Financial Statements – (Amendment effective 2016 January 1). This amendment clarifies the accounting for loss of control of a subsidiary when the subsidiary does not constitute a business.
- IFRS 11 Joint Arrangements (Amendment effective 2016 January 1). This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:
 - Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
 - Disclose the information required by IFRS 3 and other IFRSs for business combinations.
 - The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interest are not re-measured.)

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.1 Accounting standards and interpretations (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company: (continued)

- IFRS 15 Revenue from Contracts with Customers (effective 2017 January 1). This standard provides a single principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
 - Identify the contract with the customer
 - Identify the performance obligations in the contract
 - Determine the transaction price
 - Allocate the transaction price to the performance obligations in the contracts
 - Recognise revenue when (or as) the entity satisfies a performance obligation.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (amendment effective 2016 January 1). This amendment is to:
 - Clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

 - Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is highly correlated. It provides guidance that expected future reductions in the selling price of an item that was produced using an asset, could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

- IAS 28 Investments in Associates and Joint Venture – (Amendment effective 2016 January 1). This amendment clarifies the accounting for loss of control of a subsidiary when the subsidiary does not constitute a business.

- Equity Method in Separate Financial Statements (Amendments to IAS 27), effective 2016 January 1, allows the use of the equity method of accounting in separate financial statements, not only for associates and joint ventures but also for subsidiaries.

- Disclosure Initiative (Amendments to IAS 1), effective 2016 January 1, addresses some of the perceived problems with current disclosure requirements.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3.2 Investments – Subsidiaries, Joint arrangements and associates

The financial statements have been prepared in accordance with IFRS for the Company and its subsidiaries. In the consolidated financial statements, subsidiary undertakings – entities controlled by the Company are accounted for using the equity method, and are recognised initially at cost. The consolidated financial statements can be obtained from the Company's registered office.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Company. Control exists when an entity is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect, in these separate financial statements, those returns through its power over the investee. Investments in subsidiaries are accounted for at cost less impairment.

(b) Joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities required unanimous consent of the parties sharing control.

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Under this method, the investment is carried in the statement of financial position at cost less any impairment in the value of the investment. The Company assesses at each balance sheet date whether the investment is impaired, and if there is objective evidence that such loss has been incurred, the carrying amount of the investment is compared with its recoverable amount being the higher of its fair value less costs to sell and value-in-use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Petrotrin will from time to time acquire interest in joint operations to diversify both its Exploration and Production and Refining and Marketing operations. These acquisitions represent 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.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.2 Investments – Subsidiaries, Joint arrangements and Associates (continued)

(b) Joint arrangements (continued)

The Company's interest in joint operations is accounted for on a line-by-line basis in the separate financial statements; its share of the assets, liabilities, income and expenses incurred jointly with other partners, along with any liabilities and expenses incurred in relation to the joint arrangement. The Company recognises the portion of gains or losses on the sale of assets by the Company to the joint operation that is attributable to the other ventures. The Company does not recognise its share of profits or losses from the joint operation that result from the Company's purchase of assets from it 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.

(c) Associates

An associate is an entity over which the Company has significant influence, but which is not a subsidiary or a joint arrangement. Significant influence is determined through one or more of the following ways:

- (i) representation on Board of Directors;
- (ii) participation in policy-making processes, including participation in decisions about dividends and other distributions;
- (iii) material transactions between the Company and investee;
- (iv) interchange of managerial personnel; and
- (v) provision of essential technical information.

The Company share of associate investments is accounted for using the equity method described above.

3.3 Property, plant and equipment and certain intangible assets

(a) Oil and gas assets

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

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

Exploration and evaluation assets – Capitalisation

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

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

(a) Oil and gas assets (continued)

Exploration and evaluation assets – Capitalisation (continued)

Costs incurred in the exploration and evaluation of assets include:

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

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

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

Exploration and evaluation assets - Impairment

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

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

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

(a) Oil and gas assets (continued)

Development tangible and intangible assets - Capitalisation

Acquisitions, asset purchases and disposals

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

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

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

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

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

Development/Production tangible and intangible assets – Impairment

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

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

Production assets – Depreciation

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

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.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

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

(a) Oil and gas assets (continued)

Provision for decommissioning costs

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 Company recognises as its provision, the proportion for which it is liable.

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

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

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

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

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

Manufacturing plant and equipment	3.75% to 10%	- straight-line
Refinery spares	5%	- straight-line
Floating property	20%	- diminishing balance
Transportation equipment	20%	- diminishing balance
Furniture and fixtures	20%	- diminishing balance
Domestic appliances	20%	- straight-line
Buildings	5%	- diminishing balance
Computer equipment/software (specialised)	10%	- straight-line
Computer equipment/software (non-specialised)	33.3%	- straight-line

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

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

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

The expected useful lives of plant, property and equipment are reviewed on an annual basis, and if necessary changes in useful lives are adjusted for prospectively. These assets are derecognised upon disposal when no future economic benefits are expected to arise from continued use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

(c) Major overhaul costs

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

3.4 Intangible assets

(a) Goodwill

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

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

(b) Computer software

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.4 Intangible assets (continued)

(b) Computer software (continued)

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

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

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

(c) Other intangible assets

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

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.6 Financial assets

3.6.1 Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial instruments

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

3.6.2 Recognition and measurement

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

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

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

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed. Impairment testing of trade receivables is described in Note 3.8.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.7 Inventories

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

(a) Crude oil

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

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

(b) Refined products

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

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

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

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

(c) Materials and supplies

Inventories of materials and supplies are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses of the materials and supplies. Refinery spare parts are considered refining assets (See Note 3.3 (b)).

3.8 Trade receivables

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.9 Cash and cash equivalents

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

3.10 Share capital

Ordinary shares are classified as equity.

3.11 Trade and other payables

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

3.12 Borrowings

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

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

Borrowing Costs

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

Other borrowing costs are expensed.

3.13 Current and deferred income tax

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.13 Current and deferred income tax (continued)

Deferred income tax is also recognised on carry-forward unused tax losses. It 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.

3.14 Employee benefits

(a) Pension asset (liability)

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

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.14 Employee benefits (continued)

(b) Other post-employment obligations

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

3.15 Revenue recognition

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

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

(a) Sales revenue

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

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

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

(b) Royalty income

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

3. Summary of significant accounting policies (continued)

3.15 Revenue recognition (continued)

(c) Interest income

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

(d) Marine income and processing fees

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

3.16 Leases

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

3.17 Dividend distribution

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

4. Financial risk management

Risk management framework

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

4.1 Financial risk factors

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

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk

(i) Commodity and other price risk

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

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

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

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

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

In the years ended 2013 September 30 to 2015 September 30, Management deemed the price risk impact on equity instruments classified as available-for-sale to be immaterial.

(ii) Foreign currency risk

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

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

	As at September 30		
	2015	2014	2013
Year-end	6.34535	6.35830	6.41950
Average rate during the year	6.34396	6.40534	6.40987

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

	Note	TTS	As at 2015 Other	September 30 US\$	Total
Assets					
Income taxes recoverable	16	530,506	--	--	530,506
Cash in escrow – shareholder	17	--	--	149,384	149,384
Receivables*	20	1,166,715	--	1,123,168	2,289,883
Cash and cash equivalents	21	305,789	--	1,374,973	1,680,762
Financial assets		2,003,010	--	2,647,525	4,650,535
Liabilities					
Borrowings	23	--	--	(8,106,498)	(8,106,498)
Trade and other payables	25	(2,420,506)	(3,866)	(1,160,177)	(3,584,549)
Current tax liabilities		(2,123,485)	--	--	(2,123,485)
Short-term loans	26	--	--	(4,984,394)	(4,984,394)
Financial liabilities		(4,543,991)	(3,866)	(14,251,069)	(18,798,926)
* excludes prepayments					
Net currency exposure		(2,540,981)	(3,866)	(11,603,544)	(14,148,391)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		(25,410)	(39)	--	(25,449)

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

	Note	TTS	As at 2014 September 30		Total
			Other	US\$	
Assets					
Income taxes recoverable	16	530,506	--	--	530,506
Cash in escrow – shareholder	17	--	--	109,858	109,858
Receivables *	20	4,614,612	5	2,396,445	7,011,062
Cash and cash equivalents	21	107,857	--	1,637,158	1,745,015
Financial assets		5,252,975	5	4,143,461	9,396,441
Liabilities					
Borrowings	23	--	--	(8,506,444)	(8,506,444)
Trade and other payables	25	(1,636,644)	(1,323)	(2,290,460)	(3,928,427)
Current tax liabilities		(5,155,934)	--	--	(5,155,934)
Short-term loans	26	--	--	(5,565,006)	(5,565,006)
Financial liabilities		(6,792,578)	(1,323)	(16,361,910)	(23,155,811)
* excludes prepayments					
Net currency exposure		(1,539,603)	(1,318)	(12,218,449)	(13,759,370)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		(15,396)	(14)	--	(15,410)
	Note	TTS	As at 2013 September 30		Total
			Other	US\$	
Assets					
Income taxes recoverable	16	530,506	--	--	530,506
Cash in escrow – shareholder	17	--	--	84,839	84,839
Loans receivable	18	--	--	1,929	1,929
Receivables *	20	7,022,357	5	3,061,589	10,083,951
Cash and cash equivalents	21	251,708	--	1,970,614	2,222,322
Financial assets		7,804,571	5	5,118,971	12,923,547
Liabilities					
Borrowings	23	--	--	(8,975,817)	(8,975,817)
Trade and other payables	25	(2,609,944)	(944)	(2,182,243)	(4,793,131)
Current tax liabilities		(7,449,071)	--	--	(7,449,071)
Short-term loans	26	--	--	(3,979,968)	(3,979,968)
Financial liabilities		(10,059,015)	(944)	(15,138,028)	(25,197,987)
* excludes prepayments					
Net currency exposure		(2,254,444)	(939)	(10,019,057)	(12,274,440)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		(22,544)	(10)	--	(22,554)

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

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

The Company is exposed to cash flow or market interest rate risk mainly on its short-term bank deposits and short-term loans. These transactions are negotiated at fixed rates but are subject to repricing risk. Short-term deposits were repriced daily in 2015 (2014: 1.5 days and 2013 daily), while short-term loans had maturities of 59-180 days in 2015 (2014: 88-209 days and 2013: 119-180 days).

The Company monitors its interest rate risk using interest rate sensitivity and gap analyses. 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		
	2015	2014	2013
Fixed rate instruments			
Financial assets	190	191	\$ 6,105
Financial liabilities	<u>(13,090,892)</u>	<u>(14,071,450)</u>	<u>(12,955,785)</u>
	<u>(13,090,702)</u>	<u>(14,071,259)</u>	<u>\$ (12,949,680)</u>
Variable rate instruments			
Financial assets	1,680,762	1,745,015	\$ 2,222,322
Financial liabilities	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,680,762</u>	<u>\$ 1,745,015</u>	<u>\$ 2,222,322</u>

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

	Effect on profit after tax		
	Year ended September 30		
	2015	2014	2013
Change in interest rate:			
Increase by 1%	\$ 16,807	\$ 17,450	\$ 22,223
Decrease by 1%	(16,807)	(17,450)	(22,223)

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(iv) Fair value risk

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

The table below shows the carrying amounts and fair values of both long term and short term borrowings. The carrying amounts of short-term borrowings approximate to their fair values.

	2015		As at September 30 2014		2013	
	Carrying values \$	Fair values \$	Carrying values \$	Fair values \$	Carrying values \$	Fair values \$
Borrowings	8,106,498	8,490,078	8,506,444	10,308,712	8,975,817	10,769,737
Short-term loans	<u>4,984,394</u>	<u>4,984,394</u>	<u>5,565,006</u>	<u>5,565,006</u>	<u>3,979,968</u>	<u>3,979,968</u>
	<u>13,090,892</u>	<u>13,474,472</u>	<u>14,071,450</u>	<u>15,873,718</u>	<u>12,955,785</u>	<u>14,749,705</u>

The valuation technique used in measuring the fair value of borrowings is described below:

Financial instrument	Valuation technique
Debt securities	The fair value of borrowings was derived by discounting all future cash flows at prevailing market interest rates that ranged from 7.69% to 8.31% (2014: 3.91% to 4.20%; 2013: 4.72% to 4.83%). The discount rates used to derive the fair value of the Bonds represent the borrowing rates if Petrotrin were to access the market at year-end. This pricing is derived from Bloomberg's screen shot of price based on the yield to maturity (YTM) on the associated bond at year-end.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

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

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

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

	As at September 30		
	2015	2014	2013
Local	\$ 1,711,060	\$ 5,838,378	\$ 8,841,645
Regional	194,045	166,121	465,157
International	307,243	582,796	604,831
Gross trade and related parties	\$ 2,212,348	\$ 6,587,295	\$ 9,911,633

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

	As at September 30		
	2015	2014	2013
Less than one year trading history*	\$ 15	\$ 9,580	\$ 207,882
Customers between one and four years trading history*	61,587	28,893	51,166
Customer with over four years trading history*	2,081,035	6,292,166	9,162,843
Higher risk	229	--	562
	\$ 2,142,866	\$ 6,330,639	\$ 9,422,453

* excludes higher risk

Included in local revenues arising from direct sales of product is approximately 19.32% (2014: 19.70%; 2013: 23.98%) which arose from sales to Trinidad and Tobago National Petroleum Marketing Company Limited (NPMC), the Company's largest customer in Trinidad and Tobago. As at 2015 September 30, outstanding receivables from NPMC represented 33.31% (2014: 40.76%; 2013: 54.15%) of local receivables and 28.11% (2014: 36.60%; 2013: 48.57%) 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

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

	As at September 30		
	2015	2014	2013
Fully performing	\$ 637,141	\$ 1,739,046	\$ 2,131,868
Past due but not impaired:			
within 30 days	968,772	1,321,754	1,425,418
31 to 60 days	199,527	645,756	576,876
61 to 90 days	205,251	411,608	348,088
over 90 days	266,964	2,891,631	5,599,870
Impaired	250,497	403,712	639,084
Total	<u>\$ 2,528,152</u>	<u>\$ 7,413,507</u>	<u>\$ 10,721,204</u>

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

	Year ended September 30		
	2015	2014	2013
Balance at start of year	\$ (403,712)	\$ (639,084)	\$ (459,742)
Exchange adjustments	(32)	(148)	3
Charge for the year (Note 28)	(68,387)	(164,436)	(179,532)
Receivables written-off during the year as uncollectible	221,634	399,956	187
Balance at end of year	<u>\$ (250,497)</u>	<u>\$ (403,712)</u>	<u>\$ (639,084)</u>

The maximum exposure to credit risk at the respective reporting dates is the carrying values of the following financial assets: cash in escrow, available-for-sale financial instruments, loans receivable, receivables and prepayments and cash and cash equivalents. The Company's maximum exposure totalled \$4,156,327 (2014: \$8,913,294; 2013: \$12,395,386).

<u>Assets as per statement of financial position</u>	Note	As at September 30		
		2015	2014	2013
Available-for-sale financial instruments	11	\$ 190	\$ 191	\$ -4,176
Cash in escrow – shareholder	17	149,384	109,858	84,839
Loans receivable	18	--	--	1,929
Trade and other receivables excluding prepayments and taxes	20	2,277,655	7,009,795	10,082,120
Cash and cash equivalents	21	<u>1,680,762</u>	<u>1,745,015</u>	<u>2,222,322</u>
		<u>\$ 4,107,991</u>	<u>\$ 8,864,859</u>	<u>\$ 12,395,386</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. In managing its liquidity risks, the Company maintains sufficient cash on hand and committed credit facilities to meet its operational expenses, including the servicing of financial obligations. The Company's treasury function co-ordinates relationships with banks, borrowing requirements and cash management. The Company believes it has access to sufficient funding by using undrawn borrowing facilities to meet foreseeable borrowing requirements. At 2015 September 30, the Company has short-term credit facilities with various foreign and local banking institutions totalling \$6,889,619, of which the sum of \$1,773,404 was unutilised. The Company monitors future cash flows and has access to other diversified funding sources, if required, to manage its liquidity.

The Company has a long-term debt rating of Ba1 (stable outlook) and BB+ (stable outlook) assigned by Moody's and Standard and Poor's respectively. The table below presents the financial liabilities payable by the Company by remaining contractual maturities at the reporting date.

As at 2015 September 30

	Carrying values	Contractual cash flows				
		Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
Financial liabilities	\$	\$	\$	\$	\$	\$
Borrowings	(8,106,498)	(10,834,602)	(1,078,326)	(1,055,143)	(7,389,985)	(1,311,148)
Trade and other payables (excluding statutory liabilities)	(3,240,656)	(3,240,656)	(3,240,656)	--	--	--
Short-term loans	(4,984,394)	(5,029,744)	(5,029,744)	--	--	--
	(16,331,548)	(19,105,002)	(9,348,726)	(1,055,143)	(7,389,985)	(1,311,148)

As at 2014 September 30

	Carrying values	Contractual cash flows				
		Total	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
Financial liabilities	\$	\$	\$	\$	\$	\$
Borrowings	(8,506,444)	(11,951,847)	(1,103,800)	(1,080,527)	(2,091,408)	(7,676,112)
Trade and other payables (excluding statutory liabilities)	(3,480,264)	(3,480,264)	(3,480,264)	--	--	--
Short-term loans	(5,565,006)	(5,600,517)	(5,600,517)	--	--	--
	(17,551,714)	(21,032,628)	(10,184,581)	(1,080,527)	(2,091,408)	(7,676,112)

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 2013 September 30

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

4.2 Capital risk management

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

The Company's capital structure consists of share capital, reserves and retained earnings and adjustments are made based on economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 2013 September 30 to 2015 September 30.

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

Gearing ratio

	As at September 30		
	2015	2014	2013
Total borrowings	\$ 13,090,892	\$ 14,071,450	\$ 12,955,785
Less: Cash and cash equivalents	<u>(1,680,762)</u>	<u>(1,745,015)</u>	<u>(2,222,322)</u>
Net debt	11,410,130	12,326,435	10,733,463
Total equity	<u>11,168,982</u>	<u>12,167,087</u>	<u>12,481,384</u>
Total capital	<u>\$ 22,579,112</u>	<u>\$ 24,493,522</u>	<u>\$ 23,214,847</u>
Gearing ratio	50.53%	50.33%	46.24%

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

4. Financial risk management (continued)

4.3 Fair value estimation

The carrying amount of the following assets and liabilities: cash, investments, trade receivables and payables, other receivables and payables and short-term borrowings approximate to their fair values. During the period, there were no changes in the classification of financial assets, neither were there transfers between levels of the fair value hierarchy.

5. Critical accounting estimates and judgments

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

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

(a) IAS 19 valuation

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

(b) Oil and gas reserves

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

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

Although there are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as proved, the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation; the accuracy of assumptions and judgment. There may be substantial upward and downward revisions to the results of drilling, testing and production after the date of the estimate.

In addition, changes in oil and natural gas prices could have an effect on the value of proved reserves as regards the initial estimate. Accordingly, the estimated reserves could be materially different from the quantities of oil and natural gas that ultimately will be recorded.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

5. Critical accounting estimates and judgments (continued)

(b) Oil and gas reserves (continued)

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

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

(c) Lease licences

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

(d) Impairment of assets

(i) Goodwill

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

(ii) Financial assets

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

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

5. Critical accounting estimates and judgments (continued)

(d) Impairment of assets (continued)

(iii) Other assets

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

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

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

(e) Decommissioning and environmental obligations

(i) Decommissioning obligation

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

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

5. Critical accounting estimates and judgments (continued)

(e) Decommissioning and environmental obligations (continued)

(ii) Environmental liabilities

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

(f) Income taxes

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

6. Property, plant and equipment

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
Year ended 2015 September 30							
Opening net book amount	19	215,743	215,762	1,605,973	17,618,078	548,613	19,988,426
Exchange differences	(26)	(8,446)	(8,472)	5,740	(36,795)	(1,046)	(40,573)
Additions	738	125,932	126,670	182,246	605,809	25,541	940,266
Transfers	2,829	(117,945)	(115,116)	115,116	--	--	--
Depreciation charge	--	--	--	(295,827)	(904,250)	(14,857)	(1,214,934)
Closing net book amount	3,560	215,284	218,844	1,613,248	17,282,842	558,251	19,673,185
As at 2015 September 30							
Cost	3,560	215,284	218,844	6,163,467	23,172,723	773,676	30,328,710
Accumulated depreciation	--	--	--	(4,550,219)	(5,889,881)	(215,425)	(10,655,525)
Net book amount	3,560	215,284	218,844	1,613,248	17,282,842	558,251	19,673,185

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

6. Property, plant and equipment (continued)

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
Year ended 2014 September 30							
Opening net book amount	13	180,728	180,741	1,690,435	17,363,984	541,870	19,777,030
Exchange differences	(4)	8,022	8,018	(25,732)	(174,720)	(5,425)	(197,859)
Additions	10	67,357	67,367	156,427	933,134	25,991	1,182,919
Transfers	--	(40,364)	(40,364)	40,364	--	--	--
Disposals	--	--	--	--	(19,088)	--	(19,088)
Depreciation charge	--	--	--	(255,521)	(485,232)	(13,823)	(754,576)
Closing net book amount	19	215,743	215,762	1,605,973	17,618,078	548,613	19,988,426
As at 2014 September 30							
Cost	19	215,743	215,762	5,869,105	22,610,498	749,535	29,444,900
Accumulated depreciation	--	--	--	(4,263,132)	(4,992,420)	(200,922)	(9,456,474)
Net book amount	19	215,743	215,762	1,605,973	17,618,078	548,613	19,988,426
Year ended 2013 September 30							
Opening net book amount	743	107,169	107,912	1,742,842	16,877,383	523,229	19,251,366
Exchange differences	1	451	452	(3,801)	382	(65)	(3,032)
Additions	12	90,475	90,487	181,328	1,140,066	30,830	1,442,711
Transfers	(653)	(17,367)	(18,020)	18,020	--	--	--
Disposals	(90)	--	(90)	(1,278)	--	(5)	(1,373)
Depreciation charge	--	--	--	(246,676)	(653,847)	(12,119)	(912,642)
Closing net book amount	13	180,728	180,741	1,690,435	17,363,984	541,870	19,777,030
As at 2013 September 30							
Cost	13	180,728	180,741	5,751,513	21,912,981	730,680	28,575,915
Accumulated depreciation	--	--	--	(4,061,078)	(4,548,997)	(188,810)	(8,798,885)
Net book amount	13	180,728	180,741	1,690,435	17,363,984	541,870	19,777,030

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

6. Property, plant and equipment (continued)

Depreciation expense of \$1,200,077 (2014: \$740,753; 2013: \$900,523) has been charged in cost of sales, while \$14,857 (2014: \$13,823; 2013: \$12,119) has been charged in other operating expenses. Included in production assets under depreciation, is an impairment loss of \$11,815 (2014: reversal of impairment loss of \$3,189; 2013: impairment loss of \$3,220). No impairment losses were recorded for Refining and Marketing assets during 2015 (2014: nil; 2013 \$272,169).

Costs not subject to depreciation totalled \$5,745,532 (2014: \$13,629,010; 2013: \$12,218,369). These are assets under construction in Refining and Marketing and Corporate as well as Exploration and Evaluation and Development costs.

	As at September 30		
	2015	2014	2013
Assets under construction (excluding Exploration and Evaluation and Development costs)			
Production assets	\$ 594,390	\$ 1,018,123	\$ 640,775
Refining and Marketing assets	4,533,098	12,005,199	11,658,636
Other Business and Corporate assets	399,199	389,926	378,993

Included in Refining and Marketing assets is an amount of \$219,205 (2014: \$220,300; 2013: \$221,205) capitalised in respect of specific borrowing costs. These are actual borrowing costs incurred, less any investment income earned on temporary investment of borrowings. Borrowing costs were incurred on financing for the Ultra Low Sulphur Diesel (ULSD) project.

Included in Development assets and Refining and Marketing assets is interest capitalised during the year, on general borrowings of \$10,506 (2014: \$11,253; 2013: \$10,093) and \$28,368 (2014: \$11,290; 2013: \$11,985) respectively. The capitalisation rate on general borrowings is 1.86% (2014: 1.29%; 2013: 1.30%).

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

7. Intangible assets

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2015 September 30								
Opening net book amount	706,738	1,887,251	2,593,989	252,159	3,904,550	845,336	46,008	7,642,042
Exchange differences	(2,805)	(9,188)	(11,993)	(514)	(4,214)	(1,872)	(60)	(18,653)
Additions	12,722	809,413	822,135	--	110,901	--	5,824	938,860
Transfers	53,687	(1,107,136)	(1,053,449)	--	1,053,449	--	--	--
Revised decommissioning cost	--	--	--	--	(2,933,101)	(43,562)	--	(2,976,663)
Amortisation write-back/(charge)	--	--	--	--	567,363	(72,109)	(7,513)	487,741
Closing net book amount	770,342	1,580,340	2,350,682	251,645	2,698,948	727,793	44,259	6,073,327

As at 2015 September 30

Cost	770,342	1,580,340	2,350,682	386,635	13,176,506	1,351,731	185,855	17,451,409
Accumulated amortisation	--	--	--	(134,990)	(10,477,558)	(623,938)	(141,596)	(11,378,082)
Net book amount	770,342	1,580,340	2,350,682	251,645	2,698,948	727,793	44,259	6,073,327

7. Intangible assets (continued)

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2014 September 30								
Opening net book amount	270,896	1,581,597	1,852,493	254,585	3,748,408	365,093	41,720	6,262,299
Exchange differences	(5,966)	(2,258)	(8,224)	(2,426)	(45,756)	(3,247)	(416)	(60,069)
Additions	469,917	611,835	1,081,752	--	117,792	--	14,304	1,213,848
Transfers	(28,109)	(303,923)	(332,032)	--	332,032	--	--	--
Revised decommissioning cost	--	--	--	--	668,074	511,839	--	1,179,913
Disposals	--	--	--	--	(439)	--	--	(439)
Amortisation charge	--	--	--	--	(915,561)	(28,349)	(9,600)	(953,510)
Closing net book amount	706,738	1,887,251	2,593,989	252,159	3,904,550	845,336	46,008	7,642,042

As at 2014 September 30

Cost	706,738	1,887,251	2,593,989	387,424	14,965,035	1,398,139	180,391	19,524,978
Accumulated amortisation	--	--	--	(135,265)	(11,060,485)	(552,803)	(134,383)	(11,882,936)
Net book amount	706,738	1,887,251	2,593,989	252,159	3,904,550	845,336	46,008	7,642,042

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 2013 September 30								
Opening net book amount	283,556	797,690	1,081,246	254,537	5,794,430	768,582	40,923	7,939,718
Exchange differences	807	1,731	2,538	48	(13,610)	15	(83)	(11,092)
Additions	21,536	904,548	926,084	--	155,064	--	8,675	1,089,823
Transfers	(30,562)	(122,372)	(152,934)	--	152,934	--	--	--
Revised decommissioning cost	--	--	--	--	(1,135,751)	(348,697)	--	(1,484,448)
Disposals	(4,441)	--	(4,441)	--	--	--	--	(4,441)
Amortisation charge	--	--	--	--	(1,204,659)	(54,807)	(7,795)	(1,267,261)
Closing net book amount	270,896	1,581,597	1,852,493	254,585	3,748,408	365,093	41,720	6,262,299
As at 2013 September 30								
Cost	270,896	1,581,597	1,852,493	391,153	14,000,805	894,760	167,696	17,306,907
Accumulated amortisation	--	--	--	(136,568)	(10,252,397)	(529,667)	(125,976)	(11,044,608)
Net book amount	270,896	1,581,597	1,852,493	254,585	3,748,408	365,093	41,720	6,262,299

Amortisation (write-back) charge of (\$495,254) (2014: (\$943,910); 2013: (\$1,259,466)) has been recorded in cost of sales while \$7,513 (2014: \$9,600; 2013: \$7,795) has been charged to other operating expenses. Impairment losses of \$146,025 were recorded in the year ended 2015 September 30 while there were no losses recorded for years ended 2013 September 30 and 2014 September 30.

Costs not subject to amortisation totalled \$2,350,682 (2014: \$2,593,989; 2013: \$1,852,493). Included in production assets is an amount of \$31,397 (2014: \$36,020; 2013: \$35,157) in respect of assets under construction and a net amortised amount of \$152,550 (2014: \$1,542,233; 2013: \$1,061,284) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to fifty (50) years. Included in refining and marketing assets is a net amortised amount of \$751,526 (2014: \$843,286; 2013: \$352,795) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to thirteen (13) years.

Included in Development assets is interest capitalised on general borrowings of \$39,255 (2014: \$40,898; 2013: \$37,721). The capitalisation rate on general borrowings is 1.86% (2014: 1.29%; 2013: 1.30%).

(a) Impairment review of goodwill

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

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

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

7. Intangible assets (continued)

(a) Impairment review of goodwill (continued)

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

- price per barrel of crude of *US\$55.49/TT\$352.13 and price per mscf of natural gas of *US\$1.35/TT\$8.54, estimated using the market assumptions of the Company's Budget for the year ending 2015 September 30 and 2016-2020 Business Plan;
- the future cash flows were adjusted to reflect risks specific to the cash generating unit and risks surrounding the cash flows. These cash flows were discounted using a rate of 6.00% 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 flows beyond the 5-year period were extrapolated using projections based on constant prices and constant costs;
- the carrying value at 2015 September 30 is \$251,645.

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 2015 September 30 and consequently no write down of goodwill is required.

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

8. Impairment of fixed assets

In assessing whether a write-down is required in the carrying value of a potentially impaired intangible asset, or an item of property, plant and equipment, its carrying value is compared with its recoverable amounts. Unless otherwise indicated, the recoverable amount used in assessing the impairment charges (described below) is its value-in-use which is derived using a discounted cash flow model. The future cash flows are adjusted for risks specific to the asset and are discounted using a pre-tax discount rate of 6.00%. This discount rate is derived using the 20-year US\$ borrowing rate for the Government of the Republic of Trinidad and Tobago plus an on-lending premium.

Exploration and Production

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

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

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

8. Impairment of fixed assets (continued)

Exploration and Production (continued)

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

The company recorded an impairment loss on three (3) fields of \$157,840 (2014: reversal of impairment loss of \$3,189; 2013: impairment loss of \$3,220) with respect to one cash generating unit. It is estimated that an increase in the cost of capital by 5% would not cause the carrying amount to exceed the recoverable amount.

In light of lower crude oil and gas prices subsequent to the year ended 2015 September 30, a sensitivity analysis was done using average forecast prices based on the 2016-2020 Business plan. The resulting cash flows showed one additional cash generating unit as being impaired.

Exploration and Evaluation assets

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

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

Amounts related to exploration activities were written off in the Statement of Profit or loss and other Comprehensive Income in the year ended 2015 September 30 of \$5,930 (2014: \$nil, 2013: \$4,530).

Refining and Marketing

The Company assesses its fixed assets for possible impairment in circumstances which indicate that the carrying values of the assets may not be recoverable. Such indicators include changes in the Company's business plans, changes in product prices leading to an unprofitable performance, low plant utilization and evidence of physical damage. If there are low refining and marketing margins during an extended period, the Company may need to recognise impairment charges. The Company estimates value-in-use using a discounted cash flow model. The key assumptions, to which the calculation of value-in-use for the Refining and Marketing division is most sensitive, are refinery gross margin, capital expenditure and discount rate. The average value assigned to the refinery gross margin during the plan period is based on *US\$10.10 per barrel. For the purpose of determining value-in-use, risk-adjusted cash flows for a period of 19 years have been used at a discount rate of 6.00% per annum.

Refining and marketing recoverable amount exceeds its carrying amount by \$1,462,012. Based on sensitivity analysis, a change of 1% in the cost of capital would change the value-in-use by \$1,445,305. A change in gross margin of *US\$0.50/bbl would change the value-in-use by \$1,387,338.

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

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

Costs related to exploration activities expensed in the year ended 2015 September 30 were \$5,930 (2014: \$nil; 2013: \$4,530).

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

	As at September 30		
	2015	2014	2013
Payable to contractors and operators	\$ 4,802	\$ 8,498	\$ 3,472

	Year ended September 30		
	2015	2014	2013
Net cash used in operating activities	\$ (5,930)	\$ --	\$ (4,530)
Net cash used in investing activities	\$ (47,712)	\$ (421,907)	\$ (20,673)

10. Retirement benefit asset/ (obligation)

10.1 Employee benefits

The majority of the Company's employees participated in one of the Company's two (2) pension plans (the Plans). The Plans are of the defined benefit type and are established under Trust with the following Trustees:

Pension Plan	Membership	Trustee
Petrotrin Employees' Pension Plan (PEPP)	All employees excluding ex-Trintopec monthly rated employees	Republic Bank Limited – Trust and Asset Management Division
Trintopec Staff Pension Plan (SPP)	All ex-Trintopec monthly rated employees	RBC Trust Limited

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

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

Employees contribute to the Plans at a rate of 7% of pensionable pay (basic salary, wages and cost of living allowance), reducing to 4% after 31 years' pensionable service. For the year ended 2015 September 30, the employer's contribution rate was 14% of pensionable pay for PEPP and SPP.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

10. Retirement benefit asset/ (obligation)

10.1 Employee benefits (continued)

The Pension Plans pay:

- Pensions calculated on the basis of service, accrual rate and pensionable salary, and are subject to a limitation of 66 2/3 % of final pensionable earnings. Upon retirement, the member has an option of either 100% monthly pension or 75% reduced monthly pension plus a tax-free lump sum. The pension is guaranteed for 15 years and payable for the lifetime of the member;
- Death after retirement benefit equal to a lump sum of three (3) months pensionable basic earnings at time of retirement;
- Death in service benefit of refund of contributions plus interest in addition to four (4) times member's annual pensionable earnings at the time of death;
- Disability benefit equal to 60% of pensionable earnings at time of disability for a fixed 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 2013 September 30 and revealed that the funding level of the PEPP was 107% whilst that of the SPP was 147%. The aggregate market value of assets of the former Plans that now form the PEPP stood at \$9,286,800 as at 2013 September 30 while that of the SPP stood at \$1,754,300.

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

An updated valuation of all of the Plans' assets and expected liabilities as at 2015 September 30, was carried out by independent actuaries in accordance with the requirements of IAS 19 revised. This valuation is based on the most recent full actuarial valuation at 2013 September 30, rolled forward to reflect developments since that date which would have a significant effect on the defined benefit obligation and service cost and on up-to-date asset values. Financial assumptions used in the 2013 valuation are revised to reflect prevailing current economic conditions while the demographic assumptions remain identical to those used in the latest full actuarial valuation.

The charge to the Profit and Loss includes current service cost, net interest on net retirement benefit/obligation, past service cost and administrative expenses.

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

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

		As at September 30		
		2015	2014	2013
Asset/(Obligation) in statement of financial position:				
Retirement benefit (obligation)/asset				
Pension benefits	(a) \$	(28,500)	444,500	\$ 476,000
Retirement benefit obligation - Medical benefits	(b)	<u>(2,969,100)</u>	<u>(2,871,500)</u>	<u>(2,604,500)</u>
		<u>\$ (2,997,600)</u>	<u>\$ (2,427,000)</u>	<u>\$ (2,128,500)</u>
Year ended September 30				
		2015	2014	2013
Expense recognised in profit or loss:				
Net pension cost	(a) \$	(238,600)	(241,400)	\$ (244,700)
Net medical benefit cost	(b)	<u>(217,400)</u>	<u>(199,800)</u>	<u>(182,900)</u>
		<u>\$ (456,000)</u>	<u>\$ (441,200)</u>	<u>\$ (427,600)</u>

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

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

	As at September 30		
	2015	2014	2013
Present value of defined benefit obligation	\$ (10,451,200)	\$ (10,421,200)	\$ (10,296,500)
Fair value of Plan assets	<u>10,845,800</u>	<u>11,314,700</u>	<u>11,007,700</u>
Surplus	394,600	893,500	711,200
Effects of Asset Ceiling	<u>(423,100)</u>	<u>(449,000)</u>	<u>(235,200)</u>
Net retirement benefit (obligation)/asset	<u>\$ (28,500)</u>	<u>\$ 444,500</u>	<u>\$ 476,000</u>

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

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

	As at September 30		
	2015	2014	2013
Defined benefit obligation at start of year	\$ (10,421,200)	\$ (10,296,500)	\$ (10,031,300)
Current service cost	(261,100)	(265,500)	(256,400)
Interest cost	(505,100)	(501,200)	(487,800)
Members' contributions	(83,500)	(85,600)	(82,900)
Re-measurements:			
-Experience adjustments	173,400	178,000	5,400
-Actuarial gains from changes in financial assumptions	--	--	--
Benefits paid	<u>646,300</u>	<u>549,600</u>	<u>556,500</u>
Defined benefit obligation at end of year	<u>\$ (10,451,200)</u>	<u>\$ (10,421,200)</u>	<u>\$ (10,296,500)</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

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

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

Movement in Fair Value of Plan assets during the year:

	As at September 30		
	2015	2014	2013
Fair Value of Plan assets at start of year	\$11,314,700	\$11,007,700	\$ 10,406,400
Interest income	555,700	542,900	512,500
Return on Plan assets, excluding interest income	(616,900)	68,900	404,600
Company contributions	160,700	165,000	163,400
Members' contributions	83,500	85,600	82,900
Benefits paid	(646,300)	(549,600)	(556,500)
Administrative expenses	<u>(5,600)</u>	<u>(5,800)</u>	<u>(5,600)</u>
Fair Value of Plan Assets at end of year	<u>\$ 10,845,800</u>	<u>\$ 11,314,700</u>	<u>\$ 11,007,700</u>

Movement in the (obligation)/asset recognised in the statement of financial position:

	As at September 30		
	2015	2014	2013
Retirement benefit asset at start of year	\$ 444,500	\$476,000	\$ 226,300
Net pension cost	(238,600)	(241,400)	(244,700)
Re-measurement recognised in other comprehensive income	(395,100)	44,900	331,000
Company contributions paid	<u>160,700</u>	<u>165,000</u>	<u>163,400</u>
Retirement benefit (obligation)/asset at end of year	<u>\$ (28,500)</u>	<u>\$ 444,500</u>	<u>\$ 476,000</u>

Contributions to post-employment benefit plans for the year ending 2016 September 30 are expected to be approximately \$159,000.

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

	Year ended September 30		
	2015	2014	2014
Current service cost	\$ (261,100)	\$ (265,500)	\$ (256,400)
Interest income on Plan assets	28,100	29,900	17,300
Administrative expenses	<u>\$ (5,600)</u>	<u>\$ (5,800)</u>	<u>\$ (5,600)</u>
Net pension cost (Note 28)	<u>\$ (238,600)</u>	<u>\$ (241,400)</u>	<u>\$ (244,700)</u>

Petroleum Company of Trinidad and Tobago Limited
2015 September 30
Notes to the Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago Dollars)

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

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

Re-measurements recognised in Other Comprehensive Income:

	Year ended September 30		
	2015	2014	2013
Experience gains/(losses)	\$ (443,500)	\$ 246,900	\$ 410,000
Effect of Asset Ceiling	<u>48,400</u>	<u>(202,000)</u>	<u>(79,000)</u>
Re-measurements recognised in other comprehensive income	<u>\$ (395,100)</u>	<u>\$ 44,900</u>	<u>\$ 331,000</u>

The actual return on the Plan assets was:

	As at September 30		
	2015	2014	2013
Actual return on Plan assets	\$ (61,200)	\$ 611,800	\$ 917,100

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

	As at September 30		
	2015	2014	2013
Locally listed equities	\$ 3,597,800	\$ 3,641,000	\$ 3,507,600
Overseas equities	1,594,900	1,638,700	1,503,500
Bonds	5,051,600	5,458,400	5,059,800
Mortgages	12,100	16,500	22,200
Mutual Funds	95,600	100,400	97,400
Cash and cash equivalents	<u>493,800</u>	<u>459,700</u>	<u>817,200</u>
Fair value of Plan assets at end of year	<u>\$10,845,800</u>	<u>\$11,314,700</u>	<u>\$ 11,007,700</u>

The principal actuarial assumptions used were as follows*:

	As at September 30		
	2015	2014	2013
Discount rate	5.00%	5.00%	5.00%
Future salary increases	4.75%	4.75%	4.75%

* Percentages shown are per annum

No allowance was made for increases to pensions in payment or deferment. This is consistent with the basis used in previous years. Any pension increases granted are thus treated as a once-off event and would give rise to a past service cost under IAS 19 in the year of implementation. An allowance for future administrative expenses of 0.5% of pensionable earnings was assumed in the respective years.

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

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

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

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

Mortality assumptions:

	2015	As at September 30	
		2014	2013
Life expectancy at age 60 for current pensioners in years			
Male	21.0	21.0	21.0
Female	25.1	25.1	25.1
Life expectancy at age 60 for current members aged 40 in years			
Male	21.4	21.4	21.4
Female	25.4	25.4	25.4

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 2015 September 30, would have changed as a result of a change in these assumptions.

	1%pa higher	1%pa lower
	\$	\$
- Discount rate	(1,048,600)	1,288,300
- Future salary increases	316,600	(278,400)

An increase of one (1) year in the assumed life expectancies shown above would increase the defined benefit obligation at 2015 September 30, by \$166,000.

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

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

(b) Retirement benefit obligation - medical benefits

Movement in Present Value of Retirement Benefit Obligation:

		As at September 30	
	2015	2014	2013
Retirement benefit obligation at start of year	\$ (2,871,500)	\$ (2,604,500)	\$ (2,378,900)
Current service cost	(76,400)	(71,900)	(66,000)
Interest cost	(141,000)	(127,900)	(116,900)
<i>Re-measurement:</i>			
- Experience Adjustments	15,700	(160,700)	(134,200)
Benefits paid by Company (net of retiree contributions)	<u>104,100</u>	<u>93,500</u>	<u>91,500</u>
Retirement benefit obligation at end of year	\$ (2,969,100)	\$ (2,871,500)	\$ (2,604,500)

Reconciliation of Opening and Closing Balance Sheet Entries:

		As at September 30	
	2015	2014	2013
Retirement benefit obligation at start of year	\$ (2,871,500)	\$ (2,604,500)	\$ (2,378,900)
Net benefit cost	(217,400)	(199,800)	(182,900)
Re-measurements recognised in other comprehensive income	15,700	(160,700)	(134,200)
Benefits paid by Company (net of retiree contributions)	<u>104,100</u>	<u>93,500</u>	<u>91,500</u>
Retirement benefit obligation at end of year	\$ (2,969,100)	\$ (2,871,500)	\$ (2,604,500)

Petroleum Company of Trinidad and Tobago Limited
2015 September 30
Notes to the Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago dollars)

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

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

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

	Year ended September 30		
	2015	2014	2013
Current service cost	\$ (76,400)	\$ (71,900)	\$ (66,000)
Interest on retirement benefit obligation	<u>(141,000)</u>	<u>(127,900)</u>	<u>(116,900)</u>
Net benefit cost (Note 29)	<u>\$ (217,400)</u>	<u>\$ (199,800)</u>	<u>\$ (182,900)</u>

Re-measurements recognised in Other Comprehensive Income:

	Year ended September 30		
	2015	2014	2013
Experience gains/(losses)	<u>\$ 15,700</u>	<u>\$ (160,700)</u>	<u>\$ (134,200)</u>

Summary of principal assumptions used were as follows*:

	As at September 30		
	2015	2014	2013
Discount rate	5.00%	5.00%	5.00%
Medical expenses increases	5.75%	5.75%	5.75%

* Percentages shown are per annum.

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 2015 September 30 would have changed as a result of a change in the assumptions used.

	1%pa higher	1%pa lower
	\$	\$
- Discount rate	(404,000)	519,100
- Medical expenses increases	511,400	(409,300)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 2015 September 30 by \$164,000.

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

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

11. Available-for-sale financial instruments

	As at September 30		
	2015	2014	2013
La Brea Industrial Development Company Limited (LABIDCO)	--	--	3,983
Metal Industries Company Limited	190	191	192
Lake Asphalt of Trinidad and Tobago (1975) Limited (LATT)	--	--	1
	<u>\$ 190</u>	<u>\$ 191</u>	<u>\$ 4,176</u>

There were no disposals during the year and no impairment loss was recorded in the year ended 2015 September 30 (2014 and 2013: nil). During the year ended 2015 September 30, the Company recovered \$4,669 related to one of its investments, and in turn reversed the equivalent amount of previously recognised impairment losses. These investments are not rated.

12. Investments in subsidiaries

	As at September 30		
	2015	2014	2013
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	\$ 2	\$ 2	\$ 2
Trinmar Limited (Trinmar)	2	2	2
Trinidad Northern Areas Limited (TNA)	721	721	721
Petrotrin EAP Services Limited (PEAPSL)	1,500	1,500	1,500
World GTL Trinidad Limited (WGTL-TL)	1	--	--
Total Investments in Subsidiaries	<u>\$ 2,226</u>	<u>\$ 2,225</u>	<u>\$ 2,225</u>

Name of Company	Country of Incorporation	Proportion of Issued Equity Capital held
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Trintomar	Trinidad and Tobago	80%
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Trintomar is principally engaged in developing and producing natural gas from the Pelican Field which originally formed part of the South East Coast Consortium area.

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

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

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

WGTL TL	Trinidad and Tobago	100 %
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WGTL TL was formed to undertake the construction, completion, ownership and operation of a gas to liquids plant to be located at Petrotrin's Pointe-a-Pierre refinery complex. The said plant is still in the construction phase.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

12. Investments in subsidiaries (continued)

At inception in 2006, WGTL TL was a jointly controlled entity between World GTL St Lucia Limited and Petrotrin, with common stock shareholding of 51% and 49% respectively.

Pursuant to the Guarantee Contribution Agreement of 2007 January 12, relating to the funding requirements for the Gas-to-Liquid project (the "GTL Project"), Petrotrin financed cost overruns which were to be borne by World GTL Inc.

Due to significant increases in capital construction costs and the inability to meet project completion dates for the Gas-to-Liquids plant being constructed by WGTL TL, Petrotrin in its capacity as lender placed this jointly controlled entity in receivership on 2009 September 25. The asset was fully impaired in the year ended 2009 September 30. No additional impairment losses or reversals of previous impairment losses were recorded in the years ended 2010 September 30 to 2015 September 30.

No financial statements were received from WGTL Trinidad Ltd for the years ending 2010 September 30 to 2015 September 30. Therefore, Petrotrin's share of losses/profits could not be determined.

On 2011 February 01, the Receiver published a notice advertising the sale of an unfinished Gas-to-Liquids plant and other assets of WGTL TL.

On 2010 February 24, Petrotrin commenced arbitration against the WGTL Parties in the International Court of Arbitration of the International Chamber of Commerce (the "ICC") seeking the transfer of the common stock shares of WGTL TL to Petrotrin as required by the Guarantee Contribution Agreement. On 2015 April 07 the Parties entered into a Settlement Agreement and on 2015 April 08 they requested that the Court (Southern District of New York) order entry of Consent Judgments confirming Final Arbitration Awards. As a result WGTL TL is now a wholly owned subsidiary of Petrotrin.

The value of the shares owned by Petrotrin in WGTL TL has been reported at \$1, until a valuation being undertaken by an independent consulting firm is completed.

13. Investment in Associate

	As at September 30		
	2015	2014	2013
La Brea Industrial Development Company Limited (LABIDCO)	\$ <u>48,336</u>	\$ <u>48,435</u>	\$ <u>--</u>

LABIDCO is principally engaged in the promotion and development of an industrial estate as well as marine infrastructure facilities at La Brea. Petrotrin currently holds a 19% share of equity interest in this associate, and has significant influence through representation on the Board of the investee and participation in the policy making process. The movement in the investment value for the year ended 2015 September 30 was due to currency translation.

14. Investment in joint venture

	As at September 30		
	2015	2014	2013
World GTL Trinidad Limited (WGTL-TL)	\$ <u>--</u>	\$ <u>1</u>	\$ <u>1</u>

See Note 12.

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

15. Net deferred income tax assets/(liabilities)

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

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

	2015	As at September 30	
		2014	2013
At start of year	\$ 3,391,909	\$ 1,853,870	\$ 95,176
Credit for the year:			
Recognised in profit or loss (Note 33)	896,279	1,480,139	1,864,322
Recognised in other comprehensive income	<u>200,513</u>	<u>57,900</u>	<u>(105,628)</u>
At end of year	<u>\$ 4,488,701</u>	<u>\$ 3,391,909</u>	<u>\$ 1,853,870</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 2014 September 30	(Charged)/Credited		As at 2015 September 30
		Profit/(loss)	Other comprehensive income	
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	1,522,355	59,879	(8,298)	1,573,936
Provision for abandonment	3,840,535	(1,452,229)	--	2,388,306
Vacation leave payable	98,787	3,751	--	102,538
Interest payable	250,372	(3,740)	--	246,632
Tax losses carried forward	<u>8,872,421</u>	<u>1,829,505</u>	<u>--</u>	<u>10,701,926</u>
	<u>14,584,470</u>	<u>437,166</u>	<u>(8,298)</u>	<u>15,013,338</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(2,847,128)	606,356	--	(2,240,772)
Accelerated tax depreciation (R&M)	(8,061,015)	(233,318)	--	(8,294,333)
Retirement benefit asset	(227,900)	41,169	208,811	22,080
Exchange gain	<u>(56,518)</u>	<u>44,906</u>	<u>--</u>	<u>(11,612)</u>
	<u>(11,192,561)</u>	<u>459,113</u>	<u>208,811</u>	<u>(10,524,637)</u>
Net deferred income tax assets	<u>3,391,909</u>	<u>896,279</u>	<u>200,513</u>	<u>4,488,701</u>

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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

	As at 2013	(Charged)/Credited		As at 2014
	September 30	Profit/(loss)	Other comprehensive income	September 30
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	1,390,803	51,202	80,350	1,522,355
Provision for abandonment	3,031,604	808,931	--	3,840,535
Vacation leave payable	97,119	1,668	--	98,787
Interest payable	244,770	5,602	--	250,372
Tax losses carried forward	<u>6,777,907</u>	<u>2,094,514</u>	<u>--</u>	<u>8,872,421</u>
	<u>11,542,203</u>	<u>2,961,917</u>	<u>80,350</u>	<u>14,584,470</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(2,264,437)	(582,691)	--	(2,847,128)
Accelerated tax depreciation (R&M)	(7,171,321)	(889,694)	--	(8,061,015)
Retirement benefit asset	(254,184)	48,734	(22,450)	(227,900)
Exchange gain	<u>1,609</u>	<u>(58,127)</u>	<u>--</u>	<u>(56,518)</u>
	<u>(9,688,333)</u>	<u>(1,481,778)</u>	<u>(22,450)</u>	<u>(11,192,561)</u>
Net deferred income tax assets	<u>1,853,870</u>	<u>1,480,139</u>	<u>57,900</u>	<u>3,391,909</u>
	As at 2012	(Charged)/Credited		As at 2013
	September 30	Profit/(loss)	Other comprehensive income	September 30
	\$	\$	\$	\$
Deferred income tax assets				
Retirement benefit obligation	1,270,333	297,224	(176,754)	1,390,803
Provision for abandonment	3,607,680	(576,076)	--	3,031,604
Vacation leave payable	92,549	4,570	--	97,119
Interest payable	267,308	(22,538)	--	244,770
Tax losses carried forward	<u>4,661,743</u>	<u>2,116,164</u>	<u>--</u>	<u>6,777,907</u>
	<u>9,899,613</u>	<u>1,819,344</u>	<u>(176,754)</u>	<u>11,542,203</u>
Deferred income tax liabilities				
Accelerated tax depreciation (E&P)	(3,156,046)	891,609	--	(2,264,437)
Accelerated tax depreciation (R&M)	(6,521,806)	(649,515)	--	(7,171,321)
Accelerated tax depreciation (R&M)	(120,844)	(204,466)	71,126	(254,184)
Retirement benefit asset	<u>(5,741)</u>	<u>7,350</u>	<u>--</u>	<u>1,609</u>
Exchange gain	<u>(9,804,437)</u>	<u>44,978</u>	<u>71,126</u>	<u>(9,688,333)</u>
Net deferred income tax assets	<u>95,176</u>	<u>1,864,322</u>	<u>(105,628)</u>	<u>1,853,870</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

16. Income taxes recoverable

	As at September 30		
	2015	2014	2013
	<u>\$ 530,506</u>	<u>\$ 530,506</u>	<u>\$ 530,506</u>

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

17. Cash in escrow - shareholder

	As at September 30		
	2015	2014	2013
	<u>\$ 149,384</u>	<u>\$ 109,858</u>	<u>\$ 84,839</u>

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

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

18. Loans receivable

	As at September 30		
	2015	2014	2013
(a) Point Fortin LNG Exports Limited	\$ --	\$ --	\$ 1,929
(b) World GTL Trinidad Limited (WGTL TL) in receivership	--	--	--
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,929</u>
<i>of which:</i>			
Current portion	\$ --	\$ --	\$ 1,252
Non-current portion	--	--	677
At end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,929</u>
Beginning of year	\$ --	\$ 1,929	\$ 3,386
Disbursements	5,300	5,068	5,173
Impairment loss (Note 29)	(5,300)	(5,068)	(5,173)
Reversal of previous impairment losses (Note 29)	--	88	420
Recoveries	--	(2,013)	(1,877)
Exchange differences	--	(4)	--
End of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,929</u>

(a) This amount represents a non-interest bearing loan, which was Petrotrin's share (19.5%) of Point Fortin LNG Exports Limited's (PFLE) funding request of its shareholders. Under the PFLE Shareholders/Affiliates Facility Agreement of 2002 May 01, Petrotrin along with the other shareholders of PFLE agreed to each make available a revolving working capital facility of an amount up to a total of US\$10,000 (TT\$63,583) for an initial period to 2009 June 30, with any outstanding amounts being repayable in full by 2009 December. This loan was fully repaid in 2014 July.

(b) At a meeting held on 2009 November 18 the Board of Directors agreed that all funds advanced by Petrotrin to the Receiver will form a secured loan between Petrotrin and the Receiver, at an interest rate of 10.37% for a term of three (3) years with a one (1) year moratorium on principal repayment.

A full provision for impairment was recognised on this loan receivable at 2010 September 30 (US\$42,452/TT\$268,809*). Additional disbursements of TT\$5,300 were made in the year ended 2015 September 30 (2014: TT\$5,068; 2013: TT\$5,173). A full provision was also made for these amounts.

*This US\$ amount has been converted to TTS at the rate prevailing at the date of the respective transaction.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

19. Inventories

	As at September 30		
	2015	2014	2013
Materials and supplies	672,021	721,670	\$ 581,554
Less: provision for obsolescence	<u>(62,474)</u>	<u>(54,467)</u>	<u>(49,406)</u>
	609,547	667,203	532,148
Crude oil	531,628	1,249,236	1,148,534
Refined products	<u>1,074,591</u>	<u>2,183,738</u>	<u>2,705,017</u>
	<u>\$ 2,215,766</u>	<u>\$ 4,100,177</u>	<u>\$ 4,385,699</u>

The Company recognised an increase of \$8,007 (increase of \$5,061 in 2014 and decrease of \$8,545 in 2013) in the provision for obsolescence of its inventories.

20. Receivables and prepayments

	As at September 30		
	2015	2014	2013
Trade receivables	\$ 1,033,080	\$ 3,455,816	\$ 4,187,231
Less: provision for impairment of trade receivables	<u>(574)</u>	<u>(61,873)</u>	<u>(114,821)</u>
	<u>1,032,506</u>	<u>3,393,943</u>	<u>4,072,410</u>
Receivables from related parties	1,179,268	3,131,479	5,724,402
Less: provision for impairment of receivables	<u>(68,908)</u>	<u>(194,783)</u>	<u>(374,359)</u>
	<u>1,110,360</u>	<u>2,936,696</u>	<u>5,350,043</u>
Other receivables	299,680	823,457	806,234
Less: provision for impairment of other receivables	<u>(181,015)</u>	<u>(147,056)</u>	<u>(149,904)</u>
	<u>118,665</u>	<u>676,401</u>	<u>656,330</u>
Due from subsidiaries	16,124	2,755	3,337
Trade and other receivables excluding prepayments and taxes	2,277,655	7,009,795	10,082,120
Taxes recoverable	12,228	1,267	1,831
Prepayments	<u>305,609</u>	<u>329,998</u>	<u>284,356</u>
Trade and other receivables including prepayments and taxes	<u>\$ 2,595,492</u>	<u>\$ 7,341,060</u>	<u>\$ 10,368,307</u>

21. Cash and cash equivalents

	As at September 30		
	2015	2014	2013
Cash at bank and in hand	\$ 441,353	\$ 275,123	\$ 304,737
Short-term bank deposits	<u>1,239,409</u>	<u>1,469,892</u>	<u>1,917,585</u>
	<u>\$ 1,680,762</u>	<u>\$ 1,745,015</u>	<u>\$ 2,222,322</u>

The weighted average effective interest rate on short-term deposits was 0.21% (2014 0.26%; 2013: 0.18%). These deposits have an average maturity of one (1) day (2014 one and a half (1.5) days and 2013: one (1) day).

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2015 September 30
Notes to the Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago dollars)

22. Share capital

	As at September 30		
	2015	2014	2013
Authorised			
300,000,000 ordinary shares of no par value			
Issued and fully paid			
300,000,000 ordinary shares of no par value			
	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>

23. Borrowings

The carrying amounts of borrowings are stated below:

		As at September 30		
		2015	2014	2013
Gasoline Optimisation Project /Ultra Low Sulphur Diesel Plant	(a)	\$ 5,349,063	\$ 5,351,312	\$ 5,395,013
Gasoline Optimisation Project	(a)	2,757,435	3,155,132	3,580,804
Total borrowings (at fixed rates)		<u>\$ 8,106,498</u>	<u>\$ 8,506,444</u>	<u>\$ 8,975,817</u>
<i>of which:</i>				
Current portion		\$ 391,838	\$ 392,068	\$ 395,305
Non-current portion		7,714,660	8,114,376	8,580,512
		<u>\$ 8,106,498</u>	<u>\$ 8,506,444</u>	<u>\$ 8,975,817</u>

		As at September 30		
		2015	2014	2013
Maturity of non-current borrowings				
Later than 1 and less than 3 years		\$ 785,559	\$ 785,890	\$ 792,259
Between 3 and 4 years		5,742,877	393,910	397,036
5 years and over		1,186,224	6,934,576	7,391,217
		<u>\$ 7,714,660</u>	<u>\$ 8,114,376</u>	<u>\$ 8,580,512</u>

	Year ended September 30		
	2015	2014	2013
Weighted average effective interest rates:			
- bank borrowings (medium and long-term)	8.48%	8.36%	8.26%

Petroleum Company of Trinidad and Tobago Limited
2015 September 30
Notes to the Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago dollars)

23. Borrowings (continued)

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

Description	US\$850 Million	US\$750 Million
Carrying value at 2015 September 30	TT\$5,349,063	TT\$2,757,435
Carrying value at 2014 September 30	TT\$5,351,312	TT\$3,155,132
Carrying value at 2013 September 30	TT\$5,395,013	TT\$3,580,804
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	Ba1/BB+ by Moody's Investor Services and Standard and Poor's respectively	Ba1/BB+ by Moody's Investor Services and Standard and Poor's respectively
Date of loan	2009 August 14	2007 May 08
Fixed coupon rate	9.75% per annum	6.00% per annum
Yield	7.28%	7.46%
Tenor	10 years	15 years
Moratorium	--	3 years on principal repayments
Interest payments	Payable semi-annually on August 14 and February 14 commencing on 2009 August 14	Payable semi-annually on May 08 and November 08 commencing 2007 May 08
Principal repayments	Bullet	24 equal semi-annual instalments on each May 08 and November 08 of US\$31,250/TT\$200,503 beginning November 08,2010
Maturity	2019 August 14	2022 May 08
Redemption	Subject to optional redemption	Subject to optional redemption

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

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

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

The ULSD Plant is a high pressure, catalytic, hydrotreating process utilising the SynSat licensed process technology. Upon implementation, Petrotrin will produce improved quality diesel that will meet new local and international quality specifications. In addition, the new ULSD Plant will provide additional value as it would enable our refinery to process a broader range of crude oils, and can result in the substitution of relatively expensive crudes with some that are less expensive, improving overall margins. Mechanical completion on this project is estimated at 2016 December.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

23. Borrowings (continued)

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.

24. Provisions

Decommissioning costs

	As at September 30		
	2015	2014	2013
At start of year	\$ 7,149,947	\$ 5,685,332	\$ 6,758,758
Revised costs estimates	(2,976,663)	1,179,913	(1,484,448)
<i>Charge to profit or loss:</i>			
- Finance charge (Note 31)	338,025	344,107	411,593
- Utilisation	(5,257)	(2,954)	(2,774)
Translation differences	<u>(13,685)</u>	<u>(56,451)</u>	<u>2,203</u>
At end of year	<u>\$ 4,492,367</u>	<u>\$ 7,149,947</u>	<u>\$ 5,685,332</u>
<i>of which:</i>			
Current portion	\$ 2,519	\$ 13,223	\$ 13,752
Non-current portion	<u>4,489,848</u>	<u>7,136,724</u>	<u>5,671,580</u>
At end of year	<u>\$ 4,492,367</u>	<u>\$ 7,149,947</u>	<u>\$ 5,685,332</u>

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

The estimated decommissioning cost at the end of the producing lives of fields is reviewed annually and is based on engineering estimates and reports. Provision is made for the estimated cost of decommissioning at the reporting date. The provision has been estimated using existing technology, at current prices, and discounted using a risk adjusted rate of 6.00% (2014: 4.75%; 2013: 6.15%) per annum. The reduction in decommissioning costs in the year ended 2015 September 30 is due to the higher discount rate applied over extended producing lives of the fields (\$2,815,781), combined with a reduction in cost structures (\$160,882). The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be between 2015 and 2065.

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

25. Trade and other payables

		As at September 30	
	2015	2014	2013
Trade payables	\$ 768,915	\$ 1,138,659	\$ 1,590,559
Due to subsidiary company	231	429	2,415
Due to related parties	143,265	177,134	189,800
Benefits due to employees	716,620	640,685	596,656
Accrued expenses	1,153,015	1,167,259	1,564,588
Accrued interest	157,343	163,192	165,399
Other payables	<u>301,267</u>	<u>192,906</u>	<u>203,113</u>
Trade and other payables excluding statutory liabilities	3,240,656	3,480,264	4,312,530
Due to Government of Trinidad and Tobago			
- Royalties	240,233	331,185	309,136
- Taxes other than income taxes	<u>103,660</u>	<u>116,978</u>	<u>171,465</u>
Trade and other payables including statutory liabilities	<u>\$ 3,584,549</u>	<u>\$ 3,928,427</u>	<u>\$ 4,793,131</u>

26. Short-term loans

Short-term loans	<u>\$ 4,984,394</u>	<u>\$ 5,565,006</u>	<u>\$ 3,979,968</u>
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Short-term loans during the year were unsecured with effective interest rates ranging from 1.03% to 2.39% (2014: 0.97% to 1.63%; 2013: 1.16% to 1.85%) per annum. They had varying maturity dates of 59 to 180 days (2014: 88 to 209 days; 2013: 119 to 180 days).

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

27. Revenue

	Year ended September 30		
	2015	2014	2013
Refined products sales	\$ 18,496,292	\$ 27,274,110	\$ 30,178,270
Natural gas sales	489,302	714,297	459,066
Crude oil sales	266,818	443,865	464,292
Royalty income	456,322	737,235	714,843
Natural gas liquids sales	<u>39,626</u>	<u>79,421</u>	<u>63,626</u>
	<u>\$ 19,748,360</u>	<u>\$ 29,248,928</u>	<u>\$ 31,880,097</u>

28. Other operating income

Marine income	\$ 53,783	\$ 51,329	\$ 46,994
Processing fees	4,675	2,902	2,510
Income from utilities	7,137	44,556	48,209
Interest on receivables	72,237	153,992	152,269
Other income	<u>54,624</u>	<u>53,665</u>	<u>53,328</u>
	<u>\$ 192,456</u>	<u>\$ 306,444</u>	<u>\$ 303,310</u>

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

29. Operating costs by nature

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

	Year ended 2015 September 30				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	\$
Purchases	11,589,817	--	--	--	11,589,817
Production taxes	1,422,469	--	--	--	1,422,469
Employee benefits expense (excluding retirement benefits) (Note 31)	1,420,981	789,802	61,739	--	2,272,522
Production and refining expenses	1,747,039	--	--	--	1,747,039
Movement in inventories	1,837,736	--	--	--	1,837,736
Amortisation of intangible assets (write-back)/charge (Note 7)	(495,254)	--	--	7,513	(487,741)
Depreciation (Note 6)	1,200,077	--	--	14,857	1,214,934
Operating lease rental	430,752	13,669	2,626	--	447,047
(Gain) on disposal of property, plant and equipment (Note 38)	--	--	--	(16)	(16)
Net medical benefit cost (Note 10)	--	217,400	--	--	217,400
Loss on foreign currency exchange	--	--	--	25,717	25,717
Charge for bad and doubtful debts (Note 4.1(b))	68,320	67	--	--	68,387
Directors and key management remuneration (Note 36)	--	29,548	--	--	29,548
Increase in provision for inventory obsolescence (Note 19)	--	8,007	--	--	8,007
Net pension cost (Note 10)	--	238,600	--	--	238,600
Other expenses/(income)	30,412	(29,827)	54,059	3,439	58,083
Total	19,252,349	1,267,266	118,424	51,510	20,689,549

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

29. Operating costs by nature (continued)

	Year ended 2014 September 30				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	
Purchases	18,672,013	--	--	--	18,672,013
Production taxes	2,993,651	--	--	--	2,993,651
Employee benefits expense (excluding retirement benefits) (Note 31)	1,373,705	756,284	121,264	--	2,251,253
Production and refining expenses	1,598,276	--	--	--	1,598,276
Movement in inventories	420,577	--	--	--	420,577
Amortisation of intangible assets (Note 7)	943,910	--	--	9,600	953,510
Depreciation (Note 6)	740,753	--	--	13,823	754,576
Operating lease rental	451,767	9,926	4,962	--	466,655
Loss on disposal of property, plant and equipment (Note 38)	--	--	--	19,319	19,319
Net medical benefit cost (Note 10)	--	199,800	--	--	199,800
(Gain) on foreign currency exchange	--	--	--	(42,936)	(42,936)
Charge for bad and doubtful debts (Note 4.1(b))	164,187	249	--	--	164,436
Directors and key management remuneration (Note 36)	--	11,115	--	--	11,115
Decrease in provision for inventory obsolescence (Note 19)	--	5,061	--	--	5,061
Net pension cost	--	241,400	--	--	241,400
Other expenses/(income)	26,247	(19,933)	97,628	249	104,191
Total	27,385,086	1,203,902	223,854	55	28,812,897

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2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

29. Operating costs by nature (continued)

	Year ended 2013 September 30				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other operating expenses	
	\$	\$	\$	\$	
Purchases	20,529,566	--	--	--	20,529,566
Production taxes	3,090,356	--	--	--	3,090,356
Employee benefits expense (excluding retirement benefits) (Note 31)	1,413,900	722,302	60,561	--	2,196,853
Production and refining expenses	1,574,633	--	--	--	1,574,633
Movement in inventories	581,373	--	--	--	581,373
Amortisation of intangible assets (Note 7)	1,259,466	--	--	7,795	1,267,261
Depreciation (Note 6)	900,523	--	--	12,119	912,642
Operating lease rental	297,928	16,706	902	--	315,536
Loss on disposal of property, plant and equipment (Note 38)	--	5	--	5,775	5,780
Net medical benefit cost (Note 10)	--	182,900	--	--	182,900
Gain on foreign currency exchange	--	--	--	(4,548)	(4,548)
Charge for bad and doubtful debts (Note 4.1(b))	180,471	(939)	--	--	179,532
Directors and key management remuneration (Note 36)	--	9,504	--	--	9,504
Decrease in provision for inventory obsolescence (Note 19)	(9,993)	1,448	--	--	(8,545)
Net pension cost (Note 10)	--	244,700	--	--	244,700
Other expenses/(income)	77,685	55,853	(7,124)	(939)	125,475
Total	<u>29,895,998</u>	<u>1,232,479</u>	<u>54,339</u>	<u>20,202</u>	<u>31,203,018</u>

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

30. Impairment (write-back)/losses related to investments

	Year ended September 30		
	2015	2014	2013
Impairment loss related to loans receivable:			
- WGTL TL in receivership	5,300	5,068	5,173
	<u>\$ 5,300</u>	<u>\$ 5,068</u>	<u>\$ 5,173</u>
Reversal of previous impairment losses:			
- PFLE	--	(88)	(420)
- LATT	(4,669)	(14,005)	--
	<u>\$ (4,669)</u>	<u>\$ (14,093)</u>	<u>\$ (420)</u>
Net impairment losses/(write-back)	<u>\$ 631</u>	<u>\$ (9,025)</u>	<u>\$ 4,753</u>

31. Employee benefits expense (excluding retirement benefits)

	Year ended September 30		
	2015	2014	2013
Salaries and wages benefits	\$ 1,496,083	\$ 1,476,059	\$ 1,437,972
Allowances	220,966	199,564	191,225
Overtime	280,560	340,597	319,608
Other personnel costs	40,956	37,408	47,523
Medical services	92,085	61,053	69,067
Travel plan	22,590	23,534	26,571
Voluntary Selective Separation Plan	--	387	1,735
Housing aid	19,531	20,714	20,819
Savings plan	33,774	31,242	33,128
National Insurance	65,977	60,695	49,205
	<u>\$ 2,272,522</u>	<u>\$ 2,251,253</u>	<u>\$ 2,196,853</u>

32. Finance income and costs

- Bank borrowings	\$ (619,145)	\$ (654,181)	\$ (667,312)
- Finance charge on decommissioning costs (Note 24)	<u>(338,025)</u>	<u>(344,107)</u>	<u>(411,593)</u>
Finance costs	\$ (957,170)	\$ (998,288)	\$ (1,078,905)
Finance income:			
- Interest on short-term investments	2,522	3,093	2,257
Finance income and costs	<u>\$ (954,648)</u>	<u>\$ (995,195)</u>	<u>\$ (1,076,648)</u>

In the year ended 2015 September 30, the Company incurred interest on borrowings of \$697,275 (2014: \$717,622; 2013: \$743,554), of which \$78,129 (2014: \$63,441; 2013: \$59,799) was capitalised as interest on general borrowings and \$219,205 (2014:\$220,300 ; 2013:\$221,205) capitalised as interest on the ULSD Project. (See Notes 6 and 7).

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

33. Tax

(a) Amounts recognised in profit or loss

	Year ended September 30		
	2015	2014	2013
Tax (benefit)/expense:	\$	\$	\$
Current tax	11,750	1,386,830	1,742,036
Deferred income tax	<u>(896,279)</u>	<u>(1,480,139)</u>	<u>(1,864,322)</u>
	<u>(884,529)</u>	<u>(93,309)</u>	<u>(122,286)</u>

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

	Year ended September 30		
	2015	2014	2013
	\$	\$	\$
Loss before tax	<u>(1,704,012)</u>	<u>(243,695)</u>	<u>(101,012)</u>
Tax calculated at a rate of 55%	937,207	134,031	55,558
- Expenses not deductible for tax purposes	(13,632)	(24,923)	(26,101)
- Income not subject to tax	--	26,510	80,738
- Effect of investment tax credit (uplift)	126,153	175,305	239,996
- Prior year tax adjustment			
- PPT	(11,750)	--	--
- DIT	44,590	--	(9,042)
- R&M deferred taxes rate reduction	(146,444)	(143,317)	(135,621)
- Difference due to translation	(28,017)	(44,652)	(3,918)
- Over provision of prior year income taxes	<u>(23,578)</u>	<u>(29,645)</u>	<u>(79,324)</u>
	<u>884,529</u>	<u>93,309</u>	<u>122,286</u>

(b) Amounts recognised in other comprehensive income:

Actuarial (losses)/gains on retirement benefit (obligation)/asset – pension benefits	(395,100)	44,900	333,100
Actuarial gains/(losses)/ on retirement benefit obligation – medical benefits	15,700	(160,700)	(134,200)
Income tax benefit/(expense) on actuarial gains/(losses)	<u>200,513</u>	<u>57,900</u>	<u>(105,628)</u>

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

34. Contingent liabilities

(a) Housing loan guarantee

The Company has guaranteed mortgage-housing loans amounting to approximately \$6,320 (2014: \$7,052; 2013: \$8,076) made by various financial institutions to its employees participating in the housing aid scheme operated by the Company.

(b) Letter of credit

The Company has an outstanding letter of credit facility with a financial institution for \$131,821/US\$20,775 (2014: \$133,029/US\$20,922; 2013: \$133,257/US\$20,758) which expired on 2015 December 31. This credit facility was established to meet Petrotrin's 15% share of its abandonment liability with respect to its TSP Joint Venture.

(c) Litigation

Contractors' claims against the Company amounted to \$46,668 (2014: \$43,715; 2013: \$330).

There are a number of other legal claims against the Company amounting to \$29,132 (2014: \$30,776; 2013: \$29,316) 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 in respect of custom bonds amounted to approximately \$3,308 (2014: \$2,253; 2013: \$3,208).

(e) Severance payments

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

(f) Financial support guarantee

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

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2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

35. Commitments

(a) Capital commitments

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

	2015	As at September 30 2014	2013
Property, plant and equipment	<u>\$1,917,900</u>	<u>\$1,559,888</u>	<u>\$ 786,348</u>

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

There were no operating lease commitments at 2015 September 30 (2014 and 2013: \$nil).

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

(c) Sales commitments

The Company has entered into long-term sales contracts with a number of its customers. At the reporting date, these amounted to approximately \$3,095,739 (2014: \$7,127,027; 2013: \$6,578,128). 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

There were no purchases commitments at 2015 September 30 (2014 and 2013: nil).

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2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

36. Related party transactions

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

Most significant transactions concern:

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

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

Name of Company/Equity	As at 2015 September 30			
	Gross	Payables	Commitments	
	receivables			
	\$	\$	\$	\$
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and royalties	--	1,833,212	--	--
-Taxes other than income taxes	78	103,660	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	884,966	(42)	--	--
The National Gas Company of Trinidad and Tobago Limited	254	84,164	--	--
Year ended 2015 September 30				
	Cost		Revenue	
	Goods	Services	Goods	Services
	\$	\$	\$	\$
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and royalties	--	1,229,621	--	--
- Taxes other than income taxes	--	224,363	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	14,597	--	4,425,109	9,271
The National Gas Company of Trinidad and Tobago Limited	324,233	--	--	--

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

36. Related party transactions (continued)

Name of Company/Equity	As at 2014 September 30			
	Gross	Payables	Commitments	
	receivables			
	\$	\$	\$	\$
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and royalties	--	5,487,119	--	--
- Taxes other than income taxes	115	116,978	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	2,788,650	231	--	--
The National Gas Company of Trinidad and Tobago Limited	175	36,200	--	--
<u>Joint venture</u>				
World GTL Trinidad Limited	92,931	--	--	--
Year ended 2014 September 30				
	Cost		Revenue	
	Goods	Services	Goods	Services
	\$	\$	\$	\$
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and royalties	--	4,039,426	--	--
- Taxes other than income taxes	--	370,342	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,176	--	6,719,452	7,906
The National Gas Company of Trinidad and Tobago Limited	297,832	--	--	--
<u>Joint venture</u>				
World GTL Trinidad Limited	--	--	17,784	--

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

36. Related party transactions (continued)

Name of Company/Equity	As at 2013 September 30			
	Gross receivables \$	Payables \$	Commitments \$	
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and royalties	--	7,758,207	--	--
- Taxes other than income taxes	84	171,465	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	5,334,532	--	--	--
The National Gas Company of Trinidad and Tobago Limited	121	50,149	--	--
<u>Joint ventures</u>				
World GTL Trinidad Limited	75,758	--	5,064	--
Point Fortin LNG Exports Limited	1,929	--	--	--
Year ended 2013 September 30				
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and royalties	--	4,516,856	--	--
- Taxes other than income taxes	--	358,192	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,176	--	7,047,303	9,249
The National Gas Company of Trinidad and Tobago Limited	310,405	--	--	--
<u>Joint venture</u>				
World GTL Trinidad Limited	--	--	14,943	--

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

36. Related party transactions (continued)

Compensation of directors and key management personnel:

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

	Year ended September 30		
	2015	2014	2013
Short-term employees benefits	\$ 28,708	\$ 10,280	\$ 8,833
Long-term employees benefits	840	835	671
	<u>\$ 29,548</u>	<u>\$ 11,115</u>	<u>\$ 9,504</u>

37. Interest in joint operations

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

	As at September 30		
	2015	2014	2013
	Effective Interest	Effective Interest	Effective Interest
NCMA Block 9 Unitisation – Offshore	19.50%	19.50%	19.50%
Central Block	35.00%	35.00%	35.00%
East Brighton Block	30.00%	--	--
Moruga West	40.00%	40.00%	40.00%
Point Ligoure, Guapo Bay, Brighton Marine (PGB)	30.00%	30.00%	30.00%
South East Coast Consortium	16.00%	16.00%	16.00%
South West Peninsula/Bonasse	27.50%	27.50%	27.50%
Parrylands 'E' Block	25.00%	25.00%	25.00%
Teak, Samaan, Poui (TSP)	15.00%	15.00%	15.00%
Block 1a	20.00%	20.00%	20.00%
Block 1b	20.00%	20.00%	20.00%
Block 22	10.00%	10.00%	10.00%
Block 3A	15.00%	15.00%	15.00%
Galeota	35.00%	35.00%	35.00%
Guayaguayare Shallow	35.00%	35.00%	35.00%
Guayaguayare Deep	20.00%	20.00%	20.00%
Block 2ab	--	30.00%	30.00%
Mayaro/Guayaguayare	--	30.00%	30.00%
NCMA 2	20.00%	20.00%	20.00%
NCMA 3	20.00%	20.00%	20.00%
NCMA 4	20.00%	20.00%	20.00%
Rio Claro Block	20.00 %	--	--
Ortoire Block	20.00 %	--	--
St. Mary's Block	20.00 %	--	--

Petroleum Company of Trinidad and Tobago Limited

2015 September 30

Notes to the Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago Dollars)

37. Interest in joint operations (continued)

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

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

	Joint operations					
	Block 9 – Offshore	Teak, Samaan, Poui (TSP)	Central Block	South East Coast Consortium	Other	Total
	As at 2015 September 30					
Assets:	\$	\$	\$	\$	\$	\$
Property, plant and equipment	536,942	374,850	194,708	173,429	253,339	1,533,268
Current assets	83,096	54,904	17,925	64,366	5,601	225,892
Liabilities:						
Current liabilities	--	--	13,145	41,157	4,840	59,142
Commitments	19,952	66,563	19,899	1,251	13,136	120,801
	Year ended 2015 September 30					
Revenue	398,159	272,045	118,744	205,640	20,063	1,014,651
Cost of Sales	(373,535)	(305,005)	(127,477)	(124,628)	(12,526)	(943,171)
Income tax expense	17,043	15,630	(12,246)	(69,567)	(7,830)	(56,970)
	As at 2014 September 30					
Assets:	\$	\$	\$	\$	\$	\$
Property, plant and equipment	773,073	425,522	242,297	108,943	193,923	1,743,758
Current assets	108,164	71,235	18,699	44,740	6,748	249,586
Liabilities:						
Current liabilities	--	--	36,220	98,401	6,081	140,702
Commitments	23,511	49,247	15,194	3,631	9,500	101,083
	Year ended 2014 September 30					
Revenue	605,975	452,655	165,738	257,231	55,053	1,536,652
Cost of Sales	(402,619)	(350,531)	(146,196)	(90,565)	(16,086)	(1,005,997)
Income tax expense	(150,627)	(104,095)	(81,273)	(118,942)	(35,366)	(490,303)

Petroleum Company of Trinidad and Tobago Limited
2015 September 30
Notes to the Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago Dollars)

37. Interest in joint operations (continued)

	Joint operations					Total
	Block 9 – Offshore	Teak, Samaan, Poui (TSP)	Central Block	South East Coast Consortium	Other	
	As at 2013 September 30					
Assets:	\$	\$	\$	\$	\$	\$
Property, plant and equipment	940,471	267,665	296,361	88,136	175,926	1,768,559
Current assets	140,151	69,936	29,491	68,413	5,501	313,492
Liabilities:						
Current liabilities	--	--	41,294	78,326	20,031	139,651
Commitments	53,407	52,544	19,035	4,674	12,462	142,122
	Year ended 2013 September 30					
Revenue	365,449	474,397	131,208	322,353	314,555	1,607,962
Cost of Sales	(456,949)	(373,074)	(130,718)	(87,293)	(35,780)	(1,083,814)
Income tax expense	35,877	(39,215)	(57,305)	(147,105)	(221,146)	(428,894)

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

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Notes to the Financial Statements (continued)
(Presented in Thousands of Trinidad and Tobago Dollars)

38. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Note	Year ended September 30		
		2015	2014	2013
Operating activities				
Loss before tax		\$ (1,704,012)	\$ (243,695)	\$ (101,012)
Adjustments for:				
Amortisation of intangible assets	7	(487,741)	953,510	1,267,261
Utilisation of decommissioning provision	24	(5,257)	(2,954)	(2,774)
Depreciation	6	1,214,934	754,576	912,642
Impairment write-back related to investments		--	(14,093)	(420)
Impairment loss related to investments		5,300	5,068	5,173
Reversal of previous impairment losses on disbursements to subsidiary		(4,669)	--	--
Increase in investment in associate		--	(44,537)	--
Foreign currency translation loss		42,951	24,127	5,248
Finance costs	32	957,170	998,288	1,078,905
Finance income	32	(2,522)	(3,093)	(2,257)
(Gain)/Loss on disposal of property, plant and equipment	29	(16)	19,319	5,780
Net pension cost	10	238,600	241,400	244,700
Net benefit cost	10	217,400	199,800	182,900
Taxes other than income taxes		566,656	1,644,033	1,795,433
Pension contributions paid	10	(160,700)	(165,000)	(163,400)
Post-employment medical benefits paid	10	(104,100)	(93,500)	(91,500)
Changes in working capital:				
Decrease in accounts receivables and prepayments		4,205,478	3,027,381	345,354
Decrease in inventories		1,770,688	280,490	623,755
(Decrease) in other liabilities		<u>(132,858)</u>	<u>(1,325,204)</u>	<u>(108,106)</u>
Cash generated from operations		<u>\$ 6,617,302</u>	<u>\$6,255,916</u>	<u>\$ 5,997,682</u>

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

	Year ended September 30		
	2015	2014	2013
Net book value(Notes 6 and 7)	\$ --	\$ 19,527	\$ 5,814
(Gain)/Loss on disposal (Note 29)	<u>(16)</u>	<u>19,319</u>	<u>5,780</u>
Proceeds from sales	<u>\$ 16</u>	<u>\$ 208</u>	<u>\$ 34</u>

Petroleum Company of Trinidad and Tobago Limited
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Notes to the Financial Statements (continued)
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39. Subsequent events

(a) Contingent liability - Letter of credit

To meet Petrotrin's 15% share of its abandonment liability with respect to its TSP Joint Venture, a letter of credit facility for \$131,821/US\$20,775 (2014: \$133,029/US\$20,922; 2013: \$133,257/US\$20,758) was established with an expiry date of 2015 December 31. Effective 2016 January 01, a new facility was established for \$134,063/US\$21,128 with an expiry date of 2016 December 31.

(b) Lower Crude Oil, Natural Gas and Refined Products Prices

Subsequent to year-end, 2015 September 30, crude oil, natural gas and refined products prices used by the Company in its Value in Use assessments declined significantly in the range of 20% to 30%. Management expects that the high level of volatility displayed currently in these prices will only be for the short-term. It is Management's view that in the long-term, these prices will rebound in excess of those used in the respective valuations.