

Consolidated Financial Statements of

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

(Presented in Thousands of Trinidad and Tobago Dollars)

Petroleum Company of Trinidad and Tobago Limited

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Independent auditor's report

To the shareholders of Petroleum Company of Trinidad and Tobago Limited

We have audited the 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, 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group as at September 30, 2009, were audited by other auditors whose report dated August 10, 2010 expressed an unqualified opinion on those statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 the auditor's 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, the auditor considers 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, 2010, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



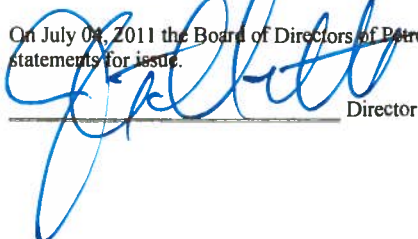
Chartered Accountants
July 4, 2011

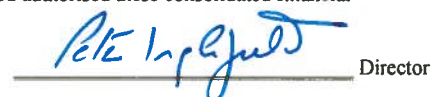
Petroleum Company of Trinidad and Tobago Limited
Consolidated Statement of Financial Position
(Presented in Thousands of Trinidad and Tobago dollars)

	Note	2010	As at September 30 2009 Restated	2008 Restated
ASSETS:				
Non-current assets				
Property, plant and equipment	6	\$ 14,805,113	\$ 11,419,810	\$ 8,292,863
Intangible assets	7	5,335,201	4,984,105	6,534,638
Retirement benefit asset – pension benefits	10	1,675,000	1,752,800	1,556,900
Cash in escrow	11	114,434	114,855	113,187
Available-for-sale financial instruments	12	5,566	4,126	4,068
Investment in jointly controlled entity	13	1	1	244,617
Income taxes recoverable	15	530,683	533,502	527,960
Loans receivable	16	<u>4,635</u>	<u>756,163</u>	<u>62,817</u>
		<u>22,470,633</u>	<u>19,565,362</u>	<u>17,337,050</u>
Current assets				
Inventories	17	3,493,046	2,701,927	3,251,785
Loans receivable	16	1,232	618	266,579
Receivables and prepayments	18	4,766,952	3,480,785	5,072,582
Cash and cash equivalents	19	<u>2,429,644</u>	<u>5,622,375</u>	<u>2,946,771</u>
		10,690,874	11,805,705	11,537,717
Non-current assets held-for-sale	20	<u>--</u>	<u>--</u>	<u>90,310</u>
		<u>10,690,874</u>	<u>11,805,705</u>	<u>11,628,027</u>
Total assets		<u>\$ 33,161,507</u>	<u>\$ 31,371,067</u>	<u>\$ 28,965,077</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		7,616,656	7,754,928	8,602,185
Currency translation differences		<u>59,124</u>	<u>92,215</u>	<u>(41,109)</u>
		9,948,054	10,119,417	10,833,350
Non-controlling interests		<u>(65,522)</u>	<u>(70,073)</u>	<u>(69,827)</u>
Total equity		<u>9,882,532</u>	<u>10,049,344</u>	<u>10,763,523</u>
Liabilities				
Non-current liabilities				
Borrowings	22	9,981,795	10,504,599	5,284,730
Net deferred income tax liabilities	14	1,439,883	1,514,716	1,903,984
Retirement benefit obligation – medical benefits	10	1,456,000	1,343,400	1,206,100
Provisions	23	<u>3,476,302</u>	<u>2,756,475</u>	<u>4,092,798</u>
		<u>16,353,980</u>	<u>16,119,190</u>	<u>12,487,612</u>
Current liabilities				
Trade and other payables	24	3,659,826	3,021,381	3,674,927
Current tax liabilities		798,099	789,217	888,003
Current portion of long-term borrowings	22	495,858	107,156	100,221
Bank overdraft and short-term loans	25	1,966,965	1,233,335	912,688
Provisions	23	<u>4,247</u>	<u>51,444</u>	<u>70,101</u>
		6,924,995	5,202,533	5,645,940
Liabilities directly associated with non-current asset classified as held-for-sale		<u>--</u>	<u>--</u>	<u>68,002</u>
		<u>6,924,995</u>	<u>5,202,533</u>	<u>5,713,942</u>
Total liabilities		<u>23,278,975</u>	<u>21,321,723</u>	<u>18,201,554</u>
Total equity and liabilities		<u>\$ 33,161,507</u>	<u>\$ 31,371,067</u>	<u>\$ 28,965,077</u>

The notes on pages 6 to 90 are an integral part of these financial statements.

On July 04, 2011 the Board of Directors of Petroleum Company of Trinidad and Tobago Limited authorised these consolidated financial statements for issue.


 Director


 Director

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

	Note	Year ended September 30 2010	2009 Restated
Continuing operations:			
Revenue	26	\$ 25,942,414	\$ 22,024,555
Cost of sales	28	<u>(22,796,612)</u>	<u>(20,479,422)</u>
Gross profit		3,145,802	1,545,133
Administrative expenses	28	(1,030,524)	(802,069)
Marketing expenses	28	(118,130)	(93,853)
Other operating expenses	28	(13,322)	(39,293)
Impairment losses	29	(1,118,535)	(813,160)
Other operating income	27	<u>143,459</u>	<u>190,339</u>
Results from operating activities		1,008,750	(12,903)
Finance income	31	4,574	24,741
Finance costs	31	<u>(238,634)</u>	<u>(371,456)</u>
Net finance costs	31	<u>(234,060)</u>	<u>(346,715)</u>
Share of loss of jointly controlled entity		--	(536,135)
Profit/(loss) before tax		774,690	(895,753)
Income tax expense	32	<u>(908,630)</u>	<u>9,995</u>
Loss for the year from continuing operations		(133,940)	(885,758)
Discontinued operations:			
Profit for the year from discontinued operation (net of income tax)	20	<u>--</u>	<u>39,302</u>
Loss for the year		<u>\$ (133,940)</u>	<u>\$ (846,456)</u>
Other Comprehensive income:			
Currency Translation differences		<u>(32,872)</u>	<u>132,277</u>
Other comprehensive income for the period, net of income tax		<u>(32,872)</u>	<u>132,277</u>
Total comprehensive (expense)/ income for the year		<u>\$ (166,812)</u>	<u>\$ (714,179)</u>
(Loss)/profit attributable to:			
Equity holders of the Company		(138,272)	(847,257)
Non-controlling interests		<u>4,332</u>	<u>801</u>
Loss for the year		<u>\$ (133,940)</u>	<u>\$ (846,456)</u>
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		(171,363)	(713,933)
Non-controlling interests		<u>4,551</u>	<u>(246)</u>
		<u>\$ (166,812)</u>	<u>\$ (714,179)</u>

The notes on pages 6 to 90 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Consolidated Statement of Changes in Equity

(Presented in Thousands of Trinidad and Tobago dollars)

	Attributable to equity holders of the Company				Non-controlling interests	Total Equity
	Share capital	Currency translation differences	Retained earnings	Total		
	\$	\$	\$	\$		
Balance at September 30, 2009	2,272,274	92,215	7,754,928	10,119,417	(70,073)	10,049,344
Profit for the period	--	--	(138,272)	(138,272)	4,332	(133,940)
Other comprehensive income						
Currency translation differences	--	(33,091)	--	(33,091)	219	(32,872)
Total other comprehensive income	--	(33,091)	--	(33,091)	219	(32,872)
Total comprehensive income for the period	--	(33,091)	(138,272)	(171,363)	4,551	(166,812)
Balance at September 30, 2010	2,272,274	59,124	7,616,656	9,948,054	(65,522)	9,882,532
Balance at September 30, 2008, before restatements	2,272,274	(23,714)	8,239,481	10,488,041	(69,827)	10,418,214
Restatements (See Note 33)	--	(17,395)	362,704	345,309	--	345,309
Balance at September 30, 2008, after restatements	2,272,274	(41,109)	8,602,185	10,833,350	(69,827)	10,763,523
Loss for the year from continuing operations	--	--	(886,559)	(886,559)	801	(885,758)
Profit for the year from discontinued operations	--	--	39,302	39,302	--	39,302
Total loss for the period	--	--	(847,257)	(847,257)	801	(846,456)
Other comprehensive income						
Currency translation differences	--	133,324	--	133,324	(1,047)	132,277
Total other comprehensive income	--	133,324	--	133,324	(1,047)	132,277
Total comprehensive income for the period	--	133,324	(847,257)	(713,933)	(246)	(714,179)
Balance at September 30, 2009	2,272,274	92,215	7,754,928	10,119,417	(70,073)	10,049,344

The notes on pages 6 to 90 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited
September 30, 2010

Consolidated Statement of Cash Flows

(Presented in Thousands of Trinidad and Tobago dollars)

	Note	Year ended September 30 2010	2009 Restated
Cash flows from operating activities:			
Cash generated from operations	38	\$ 3,351,904	\$ 4,213,774
Tax paid		<u>(2,833,690)</u>	<u>(1,866,272)</u>
Net cash generated from operating activities		<u>518,214</u>	<u>2,347,502</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment and intangible assets		(3,076,027)	(3,418,067)
Proceeds from sale of property, plant and equipment and intangible assets	38	187	38
Investments available-for-sale		(2,553)	--
Investment in jointly controlled entity		--	(290,724)
Recoveries on loans to related parties		618	--
Disbursements of loans to related parties		(268,809)	(1,175,532)
Interest received		<u>11,104</u>	<u>30,062</u>
Net cash used in investing activities		<u>(3,335,480)</u>	<u>(4,854,223)</u>
Cash flows from financing activities:			
Proceeds from short-term loans		6,251,113	6,564,794
Repayments of short-term loans		(5,459,817)	(6,217,865)
Proceeds from long-term borrowings		--	5,370,300
Repayments of long-term borrowings		(106,697)	(99,556)
Interest paid		<u>(1,015,736)</u>	<u>(440,931)</u>
Net cash (used in)/received from financing activities		<u>(331,137)</u>	<u>5,176,742</u>
Currency translation differences relating to cash and cash equivalents		<u>(3,110)</u>	<u>32,829</u>
(Decrease)/Increase in cash and cash equivalents		(3,151,513)	2,702,850
Cash and cash equivalents at start of year		<u>5,581,134</u>	<u>2,878,284</u>
Cash and cash equivalents at end of year	19	<u>\$ 2,429,621</u>	<u>\$ 5,581,134</u>

The notes on pages 6 to 90 are an integral part of these financial statements.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements

(Presented in Thousands of Trinidad and Tobago dollars)

1 Reporting entity

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

The consolidated financial statements of the Group as at and for the year ended September 30, 2010 comprise PETROTRIN and its subsidiaries (together referred to as the 'Group') and the Group's interest in jointly controlled entities.

The following subsidiaries have been consolidated:

Name of Company	Country of Incorporation	Proportion of issued equity capital held
COPCO	Cayman Islands	Nil

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

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

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

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

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

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the defined benefit asset which is recognised at the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

(c) Foreign currency translation

• **Functional and presentation currency**

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

• **Transactions and Balances**

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

• **Translation to Presentation Currency**

The financial position and results of the Group entities that have functional currency different from presentation currency 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.

2 Basis of preparation (continued)

(d) Use of estimates and judgements

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

(e) Reclassification due to the adoption of IAS 1 (Revised)

The Group has applied the revised IAS 1 (Presentation of Financial Statements), which became effective January 1, 2009. As a result, the Group presents in the statement of changes in equity, all owner changes in equity, whereas, all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has also been re-presented to ensure conformity with the revised standard. The adoption of IAS 1 (revised) has impacted only the presentation aspects of the financial statements and has had no impact on the operating results of the Group.

3 Summary of significant accounting policies

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

3.1 Accounting standards and interpretations

(a) New standards, amendments and interpretation adopted

- *IAS 1, Presentation of Financial Statements (Revised) (effective January 1, 2009)*
This standard has been revised to enhance the usefulness of information presented in the financial statements. The main change involves the removal of full details of non-owner changes in equity from the statement of changes in equity, resulting in only full disclosure of changes in equity arising from transactions with owners. The full details of transactions with non-owners, including the income tax relating to each component, are included in a new statement called the Statement of Comprehensive Income. This standard also introduces new terminology, replacing 'balance sheet' with 'statement of financial position' and 'cash flow statement' with 'statement of cash flows'. The adoption of this standard has had no effect on the financial position or performance of the Group.

3. Summary of significant accounting policies (continued)

3.1 Accounting standards and interpretations (continued)

(a) New standards, amendments and interpretation adopted (continued)

- *IAS 19 (Amendment), Employee benefits (effective January 1, 2009)*
This amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.
- *IFRS 7, Financial Instruments : Disclosures (Amendments) (effective January 1, 2009)*
This standard requires enhanced disclosures about fair value measurements and liquidity risks. There was no material effect on the group's reported profit or loss or net assets.
- Several other standards and interpretations were adopted in the year which had no significant impact on the financial statements.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for IFRS 9 (Financial Instruments), which becomes effective January 1, 2013 and could change the classification and measurement of financial assets. The Group does not plan to early adopt this standard and the extent of the impact has not been determined.

3. Summary of significant accounting policies (continued)

3.2 Basis of consolidation

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

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. (See Note 3.4 (a) for the accounting policy on goodwill)

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

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

(b) Jointly controlled assets

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

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

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

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

(c) Jointly controlled entity

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

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

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

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

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

(c) Jointly controlled entity (continued)

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

(d) Non-controlling interests

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

3.3 Property, plant and equipment and certain intangible assets

(a) Oil and Gas Assets

Oil and gas properties are aggregated exploration and evaluation (E&E) tangible assets and development expenditures associated with the production of proved reserves. Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves that were transferred from intangible E&E assets. The length of the leases for oil and gas properties is forty (40) years.

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

Exploration and Evaluation Assets – Capitalisation

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

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

Costs incurred in the exploration and evaluation of assets include:

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

3 Summary of significant accounting policies (continued)

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

(a) Oil and Gas Assets (continued)

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

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

Exploration and Evaluation Assets - Impairment

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

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

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

Development tangible and intangible assets- Capitalisation

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the purchase method where the transaction meets the definition of a business combination. (See 3.2(a) for accounting policy).

Transactions involving the purchases of an individual field interest, or a group of field interests, that do not qualify as a business combination are treated as asset purchases, irrespective of whether the specific transactions involve the transfer of the field interests directly, or the transfer of an incorporated entity. Accordingly, the consideration is allocated to the assets and liabilities purchased on a relative fair value basis.

3 Summary of significant accounting policies (continued)

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

(a) Oil and Gas Assets (continued)

Development tangible and intangible assets- Capitalisation (continued)

Acquisitions, asset purchases and disposals

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

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

See 3.12 for the accounting policy related to borrowing costs.

Development/Production tangible and intangible assets – Impairment

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

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

Production Assets – Depreciation

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

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

3 Summary of significant accounting policies (continued)

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

(a) Oil and Gas Assets (continued)

Decommissioning

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

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

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

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

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

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

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)

3 Summary of significant accounting policies (continued)

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

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

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

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

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

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

See 3.12 for the accounting policy related to borrowing costs.

(c) Major overhaul costs

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

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

3 Summary of significant accounting policies (continued)

3.4 Intangible assets

(a) Goodwill

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

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

(b) Computer software

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

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

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

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

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

(c) Other Intangible Assets

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

3 Summary of significant accounting policies (continued)

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

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

3.6 Financial assets

3.6.1 Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial instruments

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

3.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are recorded at cost less impairment. Loans and receivables are carried at amortised cost using the effective interest method.

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.2 Recognition and measurement (continued)

Changes in the value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated adjustments recognised in equity are included in profit or loss as 'gains or losses' from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (as for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Unquoted investments are stated at cost less impairment losses where there is no independent data for valuation.

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).

3 Summary of significant accounting policies (continued)

3.7 Inventories (continued)

(b) Refined products (continued)

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

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

(c) Materials and supplies

Inventories of materials and supplies are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses of the materials and supplies. Refinery spare parts are considered refining assets and depreciated during the useful lives of the related assets.

3.8 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss within cost of sales. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in profit or loss.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts and are subject to insignificant risk of changes in value.

3 Summary of significant accounting policies (continued)

3.10 Share capital

Ordinary shares are classified as equity.

3.11 Trade and other payables

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

3.12 Borrowings

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

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

Borrowing Costs

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

Other borrowing costs are expensed.

3.13 Current and deferred income tax

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

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

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

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

3 Summary of significant accounting policies (continued)

3.14 Employee benefits

(a) Pension asset

Retirement benefits for employees are provided through eight (8) 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 valuation of the Company's pension plan assets is based on the assumption that the merger of all the Plans, except the Staff Pension Plan, will be completed successfully. These Plans have been valued as if they are combined, and the asset presented reflects the combined position (See Notes 10 and 38(a)).

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to profit or loss over the employees' expected average remaining working lives.

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

(b) Other post-employment obligations

The Group provides post-employment healthcare benefits to its retirees under two (2) medical plans. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to profit or loss over the expected average remaining working lives of the related employees. The Group treats both medical plans as one entity for the purpose of determining the amortisation of excess gains and losses. These obligations are valued annually by independent qualified actuaries.

3 Summary of significant accounting policies (continued)

3.15 Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs. (See Note 3.3 for the accounting treatment with respect to the decommissioning for oil and gas and refinery assets).

3.16 Revenue recognition

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

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

(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 cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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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)

3.16 Revenue recognition (continued)

(d) Marine income and processing fees

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

3.17 Leases

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

3.18 Dividend distribution

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

4 Financial risk management

Risk management framework

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

4.1 Financial risk factors

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

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

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

Petroleum Company of Trinidad and Tobago Limited

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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

(i) Commodity and other price risk

The Group purchases approximately 70% of the total crude that is processed at the refinery. As a result, with respect to this stream of crude oil supply, the Group is exposed to fluctuations in the differential between the price of crude oil purchased and the prices at which refined products are sold.

Own-crude production makes up the remaining 30% of total crude oil processed at the refinery. The Group is therefore exposed to fluctuations in the market prices of refined products derived from this stream of crude oil supply.

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 Group does not currently have any such hedging instruments in place.

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is affected by changing prices of equity instruments mainly classified as investments available-for-sale with fair value movements recognised in shareholders' equity. Management has determined that the impact of the price risk on equity instruments classified as available-for-sale is immaterial at the end of this current period (2009 and 2008 nil).

(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.

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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)

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	
	2010	2009
Year-end	6.31880	6.34240
Average rate during the year	6.34377	6.27704

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	TTS	As at September 30, 2010		Total
			Other	US\$	
<u>Assets</u>					
Income taxes recoverable	15	530,683	--	--	530,683
Cash in escrow	11	--	--	114,434	114,434
Loans receivable	16	--	--	5,867	5,867
Receivables and prepayments*	18	4,575,165	2	53,256	4,628,423
Cash and cash equivalents	19	448,025	--	1,981,619	2,429,644
Financial assets		<u>5,553,873</u>	<u>2</u>	<u>2,155,176</u>	<u>7,709,051</u>
<u>Liabilities</u>					
Borrowings	22	(36,905)	--	(10,440,748)	(10,477,653)
Trade and other payables	24	(957,665)	(3,188)	(2,698,973)	(3,659,826)
Current tax liabilities		(798,099)	--	--	(798,099)
Bank overdraft and short-term loans	25	(23)	--	(1,966,942)	(1,966,965)
Financial liabilities		<u>(1792,692)</u>	<u>(3,188)</u>	<u>(15,106,663)</u>	<u>(16,902,543)</u>
<i>* excludes prepayments</i>					
Net currency exposure		3,761,181	(3,186)	(12,951,487)	(9,193,492)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		37,612	(32)	--	37,580

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

		As at September 30, 2009			
	Note	TTS	Other	US\$	Total
Assets					
Income taxes recoverable	15	533,502	--	--	533,502
Cash in escrow	11	--	--	114,855	114,855
Loans receivable	16	--	--	756,781	756,781
Receivables and prepayments*	18	1,285,301	73	2,096,301	3,381,675
Cash and cash equivalents	19	<u>859,932</u>	<u>--</u>	<u>4,762,443</u>	<u>5,622,375</u>
Financial assets		<u>2,678,735</u>	<u>73</u>	<u>7,730,380</u>	<u>10,409,188</u>
Liabilities					
Borrowings	22	(37,043)	--	(10,574,712)	(10,611,755)
Trade and other payables	24	(1,219,011)	(1,751)	(1,800,619)	(3,021,381)
Current tax liabilities		(789,217)	--	--	(789,217)
Bank overdraft and short-term loans	25	<u>(31,170)</u>	<u>--</u>	<u>(1,202,165)</u>	<u>(1,233,335)</u>
Financial liabilities		<u>(2,076,441)</u>	<u>(1,751)</u>	<u>(13,577,496)</u>	<u>(15,655,688)</u>
<i>* excludes prepayments</i>					
Net currency exposure		602,294	(1,678)	(5,847,116)	(5,246,500)
Reasonably possible change in exchange rate		1%	1%	--	--
Effect on profit before tax		6,023	(17)	--	6,006

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

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

The Group is exposed to cash flow or market interest rate risk mainly on its short term bank deposits and short term loans. These transactions are negotiated at fixed rates but are subject to repricing risk. Short term deposits were repriced every 59 days in 2010 (2009: 26 days), while short term loans had maturities of 88-119 days in 2010 (2009: 28-120 days). There were no borrowings based on floating rates in 2010.

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

	As at September 30	
	2010	2009
Fixed Rate Instruments		
Financial Assets	\$ 46,197	\$ 795,801
Financial Liabilities	<u>(12,444,595)</u>	<u>(11,803,849)</u>
	<u>\$ (12,398,398)</u>	<u>\$ (11,008,048)</u>
Variable Rate Instruments		
Financial Assets	\$ 2,509,314	\$ 5,702,336
Financial Liabilities	<u>--</u>	<u>--</u>
	<u>\$ 2,509,314</u>	<u>\$ 5,702,336</u>

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

	Effect on profit after tax	
	Year ended September 30	
	2010	2009
Change in interest rate:		
Increase by 1%	\$ 25,093	\$ 57,023
Decrease by 1%	(25,093)	(57,023)

(iv) Fair value risk

The Group is exposed to fair value risk on 100.00% (2009: 99.94%) of its long term borrowings which are fixed. The Group's preference is for fixed rate debt but considers market conditions at time of loan negotiations in making fixed versus floating rate decisions. There is no significant exposure to fair value risk on other financial instruments. See Note 22 for fair value and sensitivity analysis.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

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

The Group has no significant concentration of credit risk. The 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 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 \$7,134,753 (2009: \$9,853,827).

<u>Assets as per Statement of financial position</u>	Note	As at September 30	
		2010	2009
Cash in escrow	11	\$ 114,434	\$ 114,855
Available-for-sale financial instruments	12	5,566	4,126
Loans receivable	16	5,867	756,781
Trade and other receivables excluding prepayments and taxes	18	4,579,242	3,355,690
Cash and cash equivalents	19	<u>2,429,644</u>	<u>5,622,375</u>
		<u>\$ 7,134,753</u>	<u>\$ 9,853,827</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

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)

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (where available) or to historical information about counterparty default rates:

Cash at bank and short-term deposits excluding cash on hand (Standard & Poors ratings)

	As at September 30	
	2010	2009
AAA	\$ --	\$ --
AA-	--	--
A+	1,921,096	3,517,410
BBB+	394,007	1,914,005
BBB	--	--
BBB-	102,622	179,863
Not rated	6,747	7,190
	<u>\$ 2,424,472</u>	<u>\$ 5,618,468</u>

Receivables – Trade and related parties

	As at September 30	
	2010	2009
<i>Counterparties without external credit rating:</i>		
Group 1	\$ 87	\$ 29,099
Group 2	130,799	453,776
Group 3	<u>1,306,223</u>	<u>1,003,676</u>
Sub-total	1,437,109	1,486,551
<i>Counterparties with external credit rating:</i>	<u>2,945,325</u>	<u>1,652,047</u>
Total	<u>\$ 4,382,434</u>	<u>\$ 3,138,598</u>

- Group 1 - new customers less than six months.
- Group 2 - existing customers more than six months with no defaults in the past.
- Group 3 - existing customers more than six months with some defaults in the past. All defaults were fully recovered.

None of the financial assets that are fully performing has been renegotiated in the last year.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

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)

There is no concentration of credit risk with respect to non-local trade receivables as the Group has a large number of customers, internationally dispersed. Included in local revenues arising from direct sales of product is approximately 16.51% (2009: 14.15%) which arose from sales to Trinidad and Tobago National Petroleum Marketing Company Limited (NPMC), the Group's largest customer in Trinidad and Tobago. As at September 30 2010, outstanding receivables from NPMC represented 70.56% (2009: 68.89%) of local receivables and 59.71% (2009: 50.00%) 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.

Gross receivables excluding prepayments and taxes

	As at September 30	
	2010	2009
Fully performing	\$ 1,659,627	\$ 1,722,003
Past due but not impaired:		
within 30 days	536,581	461,268
31 to 60 days	22,245	49,373
61 to 90 days	393,710	152,139
over 90 days	1,965,604	970,238
Impaired	166,125	272,728
Total	<u>\$ 4,743,892</u>	<u>\$ 3,627,749</u>

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

	As at September 30	
	2010	2009
Balance at start of year	\$ (272,059)	\$ (247,761)
Exchange adjustments	460	2,513
Charge for the year (Note 28)	(88,847)	(26,811)
Receivables written-off during the year as uncollectible	<u>195,796</u>	<u>--</u>
Balance at end of year	<u>\$ (164,650)</u>	<u>\$ (272,059)</u>

(c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. In managing its liquidity risks, the Group maintains sufficient cash on hand and committed credit facilities to meet its operational expenses, including the servicing of financial obligations. The Group's treasury function coordinates relationships with banks, borrowing requirements and cash management. The Group believes it has access to sufficient funding by using undrawn borrowing facilities to meet foreseeable borrowing requirements. At September 30, 2010, the Group has short term credit facilities with various foreign and local banking institutions totalling \$3,853,969, of which the sum of \$1,758,907 was unutilised. The Group monitors future cash flows and has access to other diversified funding sources, if required, to manage its liquidity.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

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)

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

As at September 30, 2010

	Carrying Values	Total Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
	\$	\$	\$	\$	\$	\$
Financial liabilities						
Borrowings	(10,477,653)	(17,557,072)	(1,328,875)	(1,383,464)	(2,469,560)	(12,375,173)
Trade and other payables (excluding statutory liabilities)	(3,212,742)	(3,212,742)	(3,212,742)	--	--	--
Bank overdraft and short-term loans	(1,966,965)	(1,966,965)	(1,966,965)	--	--	--
	(15,657,360)	(22,736,779)	(6,508,582)	(1,383,464)	(2,469,560)	(12,375,173)

As at September 30, 2009

	Carrying Values	Total Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	5 years and over
	\$	\$	\$	\$	\$	\$
Financial liabilities						
Borrowings	(10,611,755)	(18,186,607)	(957,657)	(1,419,231)	(2,610,769)	(13,198,950)
Trade and other payables (excluding statutory liabilities)	(2,636,300)	(2,636,300)	(2,636,300)	--	--	--
Bank overdraft and short-term loans	(1,233,335)	(1,233,335)	(1,233,335)	--	--	--
	(14,481,390)	(22,056,242)	(4,827,292)	(1,419,231)	(2,610,769)	(13,198,950)

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

4 Financial risk management (continued)

4.2 Capital risk management

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

The Group's capital structure consists of share capital, reserves and retained earnings and makes adjustments to it, in light of economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended September 30, 2009 to September 30, 2010.

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, bank overdraft and short term loans, as shown on the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown on the statement of financial position plus net debt. The Group's policy is to maintain a gearing ratio up to 50% and a BBB credit rating.

The Group has maintained compliance with its gearing policy, BBB credit rating and financial ratio covenants during 2010.

Gearing Ratio

	As at September 30	
	2010	2009
Total borrowings	\$12,444,618	\$11,845,090
Less: Cash and cash equivalents	<u>(2,429,644)</u>	<u>(5,622,375)</u>
Net debt	10,014,974	6,222,715
Total equity	<u>9,882,532</u>	<u>10,049,344</u>
Total capital	<u>\$19,897,506</u>	<u>\$16,272,059</u>
Gearing ratio	50.33%	38.24%

The increase in the gearing ratio during 2010 resulted primarily from the increase in short-term borrowings combined with a reduction in the cash and cash equivalents balance.

	As at September 30	
	2010	2009
Credit rating (S&P)	BBB	BBB

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

	As a September 30			
	2010		2009	
	Actual	Required	Actual	Required
Debt to equity	1.05	≤ 1.20	1.04	≤ 1.20
Debt Service Coverage	1.92	≥ 1.40	6.29	≥ 1.40
Tangible Net Worth	\$14,458,108	> \$3,845,731	\$14,331,922	> \$3,845,731

4 Financial risk management (continued)

4.3 Fair value estimation

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

5 Critical accounting estimates and judgments

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

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

(a) IAS 19 valuation

The valuation of the Group's pension plans assets and expected liabilities in accordance with IAS 19 requirements are based on the assumption that the merger of all the Plans, except the Staff Pension Plan, will be completed successfully. As such there is a constructive obligation to provide all of the improved benefits. 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 Notes 10 and 38 (a)).

(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.

5 Critical accounting estimates and judgments (continued)

(b) Oil and gas reserves (continued)

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

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

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

(c) Lease licences

It is assumed that licences to develop oil and gas properties acreages will continue to be extended to the Group by the Government of the Republic of Trinidad and Tobago throughout the remaining productive lives of the related fields; and that, in many instances, are expected to be forty years. 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.

5 Critical accounting estimates and judgments (continued)

(d) Impairment of assets (continued)

(ii) Financial Assets (continued)

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.

(iii) Other Assets

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

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

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

5 Critical accounting estimates and judgments (continued)

(e) Decommissioning and environmental obligations

(i) Decommissioning obligation

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

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

(ii) Environmental liabilities

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

(f) Income taxes

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

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

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 September 30, 2010							
Opening net book amount	875	34,630	35,505	1,922,762	9,131,880	329,663	11,419,810
Exchange differences	(3)	(376)	(379)	(8,760)	(46,699)	(1,865)	(57,703)
Additions	101	36,266	36,367	45,152	3,570,112	150,182	3,801,813
Transfers	(101)	(52,556)	(52,657)	52,657	--	--	--
Disposals	--	--	--	(42)	(173)	(602)	(817)
Depreciation charge	--	--	--	(79,362)	(269,540)	(9,088)	(357,990)
Closing net book amount	872	17,964	18,836	1,932,407	12,385,580	468,290	14,805,113
As at September 30, 2010							
Cost	872	17,964	18,836	5,249,971	15,657,012	623,070	21,548,889
Accumulated depreciation	--	--	--	(3,317,564)	(3,271,432)	(154,780)	(6,743,776)
Net book amount	872	17,964	18,836	1,932,407	12,385,580	468,290	14,805,113
Year ended September 30, 2009							
Opening net book amount	6,178	83,066	89,244	1,857,790	6,072,264	273,565	8,292,863
Exchange differences	35	823	858	26,589	107,560	4,339	139,346
Additions	1,275	26,205	27,480	46,953	3,202,339	62,918	3,339,690
Transfers	(6,613)	(75,464)	(82,077)	82,077	--	--	--
Disposals	--	--	--	(135)	(496)	(546)	(1,177)
Depreciation charge	--	--	--	(90,512)	(249,787)	(10,613)	(350,912)
Closing net book amount	875	34,630	35,505	1,922,762	9,131,880	329,663	11,419,810
As at September 30, 2009							
Cost	875	34,630	35,505	5,168,077	12,151,020	476,350	17,830,952
Accumulated depreciation	--	--	--	(3,245,315)	(3,019,140)	(146,687)	(6,411,142)
Net book amount	875	34,630	35,505	1,922,762	9,131,880	329,663	11,419,810

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

6 Property, Plant and Equipment (continued)

Depreciation expense of \$348,902 (2009: \$340,299) has been charged in cost of sales, while \$9,088 (2009: \$10,613) has been charged in other operating expenses. Included in depreciation is an impairment loss of \$537 (2009:\$11,512) in respect of production assets. This was partly offset by a reversal of previous impairment of \$18,973 (2009: \$5,561).

Costs not subject to depreciation totalled \$9,103,423 (2009: \$7,261,174). These are assets under construction in Refining and Marketing and Corporate as well as Exploration and Evaluation and Development costs.

	As at September 30	
	2010	2009
<i>Asset under construction (excluding Exploration and Evaluation and Development costs)</i>		
Production assets	\$ 276,641	\$ 373,046
Refining and Marketing assets	8,248,843	7,062,743
Other Business and Corporate assets	282,662	162,926

Included in Refining and Marketing assets is an amount of \$947,634 (2009: \$342,404) capitalised in respect of specific borrowing costs. These are actual borrowing costs incurred on financing for the Gasoline Optimisation and Ultra Low Sulphur Diesel projects (Note 22) during the year, less any investment income earned on the temporary investment of these borrowings.

Included in development assets and Refining and Marketing is interest capitalised on general borrowings of \$7,174 (2009: \$6,357) and \$36,478 (2009: \$48,704) respectively. The capitalisation rate on general borrowings is 2.46% (2009: 4.76%).

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Notes to the Consolidated 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 September 30, 2010								
Opening net book amount -								
Restated	47,080	176,052	223,132	252,656	4,181,628	291,593	35,096	4,984,105
Exchange differences	(426)	(1,805)	(2,231)	(2,064)	(20,420)	(865)	(184)	(25,764)
Additions	105,510	358,396	463,906	--	148,158	--	6,567	618,631
Revised decommissioning cost	--	--	--	--	367,718	99,952	--	467,670
Transfers	(19,678)	(269,825)	(289,503)	--	289,503	--	--	--
Amortisation charge	--	--	--	--	(663,225)	(37,753)	(8,463)	(709,441)
Closing net book amount	132,486	262,818	395,304	250,592	4,303,362	352,927	33,016	5,335,201
As at September 30, 2010								
Cost	132,486	262,818	395,304	385,017	11,630,138	753,684	136,663	13,300,806
Accumulated amortisation	--	--	--	(134,425)	(7,326,776)	(400,757)	(103,647)	(7,965,605)
Net book amount	132,486	262,818	395,304	250,592	4,303,362	352,927	33,016	5,335,201
	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended September 30, 2009								
Opening net book amount -								
Restated	80,783	1,484,388	1,565,171	249,077	4,004,996	664,928	50,466	6,534,638
Exchange differences	776	8,970	9,746	3,579	65,446	9,160	534	88,465
Additions	32,910	317,573	350,483	--	132,271	15,712	1,510	499,976
Revised decommissioning cost	--	--	--	--	(1,398,771)	(329,831)	--	(1,728,602)
Transfers	(69,680)	(1,634,879)	(1,704,559)	--	1,704,559	--	--	--
Disposals	2,291	--	2,291	--	(257)	--	(7)	2,027
Amortisation charge	--	--	--	--	(326,616)	(68,376)	(17,407)	(412,399)
Closing net book amount	47,080	176,052	223,132	252,656	4,181,628	291,593	35,096	4,984,105
As at September 30, 2009								
Cost	47,080	176,052	223,132	387,045	10,870,741	656,102	130,602	12,267,622
Accumulated amortisation	--	--	--	(134,389)	(6,689,113)	(364,509)	(95,506)	(7,283,517)
Net book amount	47,080	176,052	223,132	252,656	4,181,628	291,593	35,096	4,984,105

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7 Intangible Assets (continued)

Amortisation expense of \$700,978 (2009:\$394,992) has been charged in cost of sales while \$8,463 (2009:\$17,407) has been charged to other operating expenses. Included in amortisation is an impairment loss of \$1,988 (2009:\$20,941) in respect of production assets. This was partly offset by a reversal of previous impairment of \$3,791 (2009:\$16,327).

Costs not subject to amortisation totalled \$395,304 (2009: \$223,132). Included in production assets is an amount of \$13,075 (2009:\$1,984) in respect of assets under construction and a net amortised amount of \$641,463 (2009: \$304,385) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to twenty (20) years. Included in refining and marketing assets is a net amortised amount of \$317,136 (2009: \$233,093) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to eighteen (18) years.

Included in development assets is interest capitalised on general borrowings of \$23,423 (2009: \$21,162). The capitalisation rate on general borrowings is 2.46% (2009: 4.76%).

(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\$51.89/TT\$329.14 and price per mscf of natural gas of *US\$1.22/TT\$7.76, estimated using the market assumptions of the Group's 2010-2013 Budget and Business Plan;
- the future cash flows were adjusted to reflect risks specific to the cash generating unit and risks surrounding the cash flows. These cash flows were discounted using a rate of 7.88% per annum;
- the time horizon used for the valuation of the reserves was 40 years as this represents Management's estimation of the economic productive life of the field at current rates of extraction;
- supplemental petroleum taxes and other levies on production volumes were calculated at prevailing rates;
- the cash flow beyond the 5 year period were extrapolated using projections based on constant prices and constant costs;
- the carrying value at September 30, 2010 is \$250,592.

Given that there was no significant change in assets and liabilities and that the likelihood of the carrying value exceeding the recoverable amount at the time of the test to be remote, management believes that there are no reasonable assumptions that would cause the carrying value to exceed the recoverable amount. The impairment test revealed that this asset was not impaired as of September 30, 2010 and consequently no write down of goodwill is required.

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

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Notes to the Consolidated Financial Statements (continued)

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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. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment charges (described below) is its value in use. The Group estimates value in use 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 7.88%. This discount rate is derived using a 20 year US treasury rate adjusted for specific risks related to country, industry and company.

Exploration and Production

The Group estimates value in use using a discounted cash flow model. 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, which is 40 years. 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 40 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;

In the year ended September 30, 2010 Exploration and Production recognised an impairment loss of \$2,525 (2009: \$32,453) in total with respect to two cash generating units. The concurrent increase in operating cost and a downward revision in reserves triggered the performance of an impairment test on these assets. These charges were partly offset by reversals of previously recognised impairment charges of \$22,764 (2009: \$21,888) for two cash generating units. It is estimated that an increase in the cost of capital by 5% would not cause the recoverable amount to exceed the carrying amount.

Exploration and Evaluation assets

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

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

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

8 Impairment of fixed assets (continued)

No exploration and evaluation expenditure was written off in the Statement of Comprehensive Income in the year ended September 30, 2010 (2009: \$341). There were no reversals of previously recognised impairment charges (2009: \$2,632 related to Block 22).

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. Fluctuating product prices and the significant increase in capital expenditure triggered a test for impairment on its refining and marketing assets. The Group estimates value in use using a discounted cash flow model. The key assumptions, to which the calculation of value in use for the Refining and Marketing division is most sensitive, are refinery gross margin, capital expenditure and discount rate. The average value assigned to the refinery gross margin during the plan period is based on *US\$8.73 per barrel. For the purpose of determining value in use, risk-adjusted cash flows for a period of 20 years have been used at a discount rate of 7.88%.

Refining and marketing recoverable amount exceeds its carrying amount by \$3,685,719. Based on sensitivity analysis, a change of 1% in the cost of capital would change the value in use by \$1,274,894. If the cost of capital increases by 4%, the value in use would approximate its carrying amount. A change in gross margin of *US\$0.50/bbl would change the value in use by \$1,712,586. If gross margin decreases by *US\$3.00/bbl the recoverable amount would approximate the carrying value.

*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

The following additional financial information represents the amounts within the Group totals relating to activity associated with the exploration for and evaluation of oil and natural gas resources.

	As at September 30	
	2010	2009
Exploration and evaluation costs		
Exploration expenditure written off	\$ --	\$ 341
Exploration expenditure written back	--	(2,632)
Other exploration costs	345	--
Exploration expense for the year	<u>\$ 345</u>	<u>\$ (2,291)</u>

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

	As at September 30	
	2010	2009
Payable to contractors and operators	\$ 295	\$ 2,381
Net cash used in operating activities	\$ (345)	\$ --
Net cash used in investing activities	\$ (56,349)	\$ (59,786)

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement Benefit Asset/ (Obligation)

The majority of the Group's employees participate in one of the Group's eight pension plans (the Plans). The Plans are of the defined benefit type. It is exempt approved under the Income Tax Act and established under Trust with the following Trustees:

Pension Plan	Membership	Trustee
Trintoc Contributory Pension Fund A	Closed	RBTT Trust Limited
Trintoc Contributory Pension Fund B	Closed	RBTT Trust Limited
Trintoc Non-Contributory Pension Fund (NCPF)	Closed	First Citizens Asset Management Limited
Trintoc Staff Retirement Plan (SRP)	All monthly rated employees	First Citizens Asset Management Limited
Trintoc Employees Benefit Plan (EBP)	All hourly/weekly paid workers and junior staff employees	Republic Bank Limited – Trust and Asset Management Division
Trintopec Staff Pension Plan (SPP)	All monthly rated employees	RBTT Trust Limited
Trintopec Employees Pension Plan (EPP)	All weekly/hourly paid workers	Republic Bank Limited – Trust and Asset Management Division
Trinmar Employees Benefit Plan (EBP)	Trinmar hourly/weekly rated employees	RBTT Trust Limited

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

Employees contribute to the Plans at a rate of 7% of pensionable pay (basic salary, wages and cost of living allowance). Employer's contributions are certified by the Plans' independent qualified actuary. For the year ended September 30, 2010, the employer's contribution rate was 14% of pensionable pay for funds A, B, EBP, EPP, SPP and SRP. No contributions are currently being paid to the NCPF and contributions to Trinmar EBP are at the rate of 12% of pensionable pay.

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

The OWTU Memorandum of Agreement also agreed that seven (7), out of the eight (8), Pension Plans should be merged into a single Plan. The implementation of the improvements is subject to the successful completion of the Plan merger with no additional contributions being required from Petrotrin.

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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)

The benefit improvements have been implemented individually in each of the Plans despite the fact that the merger has not yet been completed as at September 30, 2010. (See note 39 (a)).

The Pension Plans pay:

- pensions calculated on the basis of service, accrual rate and pensionable salary, and is subject to a limitation of 66 2/3 % of final pensionable earnings.
- death benefit equal to 3 months basic earnings at time of retirement, there is also a lump sum benefit paid on death in service.
- 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% in Trinmar EBP.

A full independent actuarial valuation of the Plans was carried out as at September 30, 2007. The actuarial valuation showed that the aggregate market value of the Plan's assets at September 30, 2007 was \$7,803,800 representing 140.38% of the accrued liabilities. In January 2011, a full independent actuarial valuation of the Plans began. It is expected to be completed in June 2011 and the effects will be accounted for in the 2011 financial statements.

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

An updated valuation of all of the Plans' assets and expected liabilities as at September 30, 2010 was carried out by independent actuaries in accordance with the requirements of IAS 19. This valuation is based on the most recent full actuarial valuation at September 30, 2007 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 2007 valuation are revised to reflect prevailing current economic conditions while the demographic assumptions remain identical to those used in the latest full actuarial valuation. In calculating the charge to profit or loss including any recognised actuarial gains and losses, a 10% corridor was applied. This means that a portion of actuarial gains and losses is recognised as income or expense only if it exceeds the greater of:

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

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

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Notes to the Consolidated Financial Statements (continued)

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10 Retirement Benefit Asset/(Obligation) (continued)

		As at September 30	
		2010	2009
Asset/(obligation) in statement of financial position:			
Pension benefits	(a)	\$ 1,675,000	\$ 1,752,800
Post-employment medical benefits	(b)	<u>(1,456,000)</u>	<u>(1,343,400)</u>
		<u>\$ 219,000</u>	<u>\$ 409,400</u>
(Expense)/income recognised in profit or loss:			
Pension (charges) / benefits	(a)	\$ (205,100)	\$ 73,900
Post-employment medical charges	(b)	<u>(189,000)</u>	<u>(198,900)</u>
		<u>\$ (394,100)</u>	<u>\$ (125,000)</u>

(a) Pension benefits

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

		As at September 30	
		2010	2009
Present value of funded obligations		\$ (8,034,200)	\$ (6,611,600)
Fair value of plan assets		<u>8,798,200</u>	<u>8,348,900</u>
Surplus		764,000	1,737,300
Unrecognised actuarial losses/(gains)		1,186,100	458,300
Un-utilisable assets		<u>(275,100)</u>	<u>(442,800)</u>
Asset in statement of financial position		<u>\$ 1,675,000</u>	<u>\$ 1,752,800</u>

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

Change in defined benefit obligations:

		As at September 30	
		2010	2009
Defined benefit obligations at start of year		\$ (6,611,600)	\$ (5,964,300)
Service cost		(189,100)	(166,700)
Interest cost		(498,500)	(506,700)
Members' contributions		(63,100)	(68,800)
Past service cost		(283,000)	(4,100)
Actuarial losses		(765,400)	(264,900)
Benefits paid		366,800	354,800
Expense allowance		<u>9,700</u>	<u>9,100</u>
Defined benefit obligations at end of year		<u>\$ (8,034,200)</u>	<u>\$ (6,611,600)</u>

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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) Pension benefits (continued)

	As at September 30	
	2010	2009
Plan assets at start of year	\$ 8,348,900	\$ 8,444,800
Expected return on Plan assets	689,600	815,100
Actuarial loss	(54,200)	(737,900)
Company contributions	127,300	122,000
Members' contributions	63,100	68,800
Benefits paid	(366,800)	(354,800)
Expense allowance	<u>(9,700)</u>	<u>(9,100)</u>
Plan assets at end of year	<u>\$ 8,798,200</u>	<u>\$ 8,348,900</u>

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

	As at September 30	
	2010	2009
At start of year	\$ 1,752,800	\$ 1,556,900
Total (expense) / income	(205,100)	73,900
Contributions paid	<u>127,300</u>	<u>122,000</u>
At end of year	<u>\$ 1,675,000</u>	<u>\$ 1,752,800</u>

Contributions to post-employment benefit plans for the year ending September 30, 2011 are expected to be approximately \$134,400.

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

	As at September 30	
	2010	2009
Current service cost	\$ (189,100)	\$ (166,700)
Interest cost	(498,500)	(506,700)
Expected return on plan assets	689,600	815,100
Past service cost	(283,000)	(4,100)
Adjustment for un-utilisable asset	167,700	28,900
Amortised (losses)/gains	<u>(91,800)</u>	<u>(92,600)</u>
Total (Note 28)	<u>\$ (205,100)</u>	<u>\$ 73,900</u>

Actuarial gains and losses recognised in profit or loss:

	As at September 30	
	2010	2009
Amount accumulated in retained earnings at start of year	\$ 86,600	\$ 179,200
Recognised during the year	<u>(91,800)</u>	<u>(92,600)</u>
Amount accumulated in retained earnings at end of year	<u>\$ (5,200)</u>	<u>\$ 86,600</u>

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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) Pension benefits (continued)

The actual return on the Plan assets was:

	As at September 30	
	2010	2009
Expected return on Plan assets	\$ 689,600	\$ 815,100
Actuarial loss on Plan assets	<u>(54,200)</u>	<u>(737,900)</u>
Actual return on Plan assets	<u>\$ 635,400</u>	<u>\$ 77,200</u>

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

	As at September 30	
	2010	2009
Equity securities	37.0%	39.0%
Debt securities	53.0%	49.5%
Other	<u>10.0%</u>	<u>11.5%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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

The principal actuarial assumptions used were as follows*:

	As at September 30	
	2010	2009
Discount rate	6.25%	7.75%
Expected return on plan assets	6.83%	8.35%
Future salary increases	5.50%	7.00%

* Rates shown are per annum

No allowance was made for increases to pensions in payment or deferment. This is consistent with the basis used in previous years. Any pension increases granted are thus treated as a once-off event and would give rise to a past service cost under IAS 19 in the year of implementation. An allowance for future administrative expenses of 1% of pensionable earnings was assumed in the respective years.

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

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September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement Benefit Asset/(Obligation) (continued)

(a) Pension benefits (continued)

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

	As at September 30	
	2010	2009
Male	21	21
Female	25	25

Experience history:

	As at September 30				
	2010	2009	2008	2007	2006
Present value of funded obligations	(8,034,200)	(6,611,600)	(5,964,300)	(5,559,000)	(4,894,600)
Fair value of plan assets	<u>8,798,200</u>	<u>8,348,900</u>	<u>8,444,800</u>	<u>7,803,800</u>	<u>7,052,300</u>
Surplus	<u>764,000</u>	<u>1,737,300</u>	<u>2,480,500</u>	<u>2,244,800</u>	<u>2,157,700</u>
Experience adjustment on Plan liabilities	(28,500)	(59,900)	(49,600)	195,300	135,900
Experience adjustment on Plan assets`	(54,200)	(737,900)	9,200	210,000	(1,345,200)

(b) Post-employment medical benefits

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

	As at September 30	
	2010	2009
Present value of funded obligations	\$ (1,785,700)	\$ (1,687,800)
Unrecognised actuarial losses	<u>329,700</u>	<u>344,400</u>
Liability in statement of financial position	<u>\$ (1,456,000)</u>	<u>\$ (1,343,400)</u>

Change in defined benefit obligations:

Defined benefit obligations at start of year	\$ (1,687,800)	\$ (1,579,100)
Service cost	(44,900)	(43,800)
Interest cost	(128,100)	(135,500)
Actuarial (loss)/gain	(1,300)	9,000
Benefits paid	<u>76,400</u>	<u>61,600</u>
Defined benefit obligations at end of year	<u>\$ (1,785,700)</u>	<u>\$ (1,687,800)</u>

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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) Post-employment medical benefits (continued)

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

	As at September 30	
	2010	2009
At start of year	\$ (1,343,400)	\$ (1,206,100)
Net benefit cost	(189,000)	(198,900)
Benefits paid	<u>76,400</u>	<u>61,600</u>
At end of year	<u>\$ (1,456,000)</u>	<u>\$ (1,343,400)</u>

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

	Year ended September 30	
	2010	2009
Current service cost	\$ (44,900)	\$ (43,800)
Interest cost	(128,100)	(135,500)
Amortised net loss	<u>(16,000)</u>	<u>(19,600)</u>
Total (Note 28)	<u>\$ (189,000)</u>	<u>\$ (198,900)</u>

Actuarial gains and losses recognised in profit or loss:

	Year ended September 30	
	2010	2009
Amount accumulated in retained earnings at start of year	\$ (42,200)	\$ (22,600)
Recognised during the year	<u>(16,000)</u>	<u>(19,600)</u>
Amount accumulated in retained earnings at end of year	<u>\$ (58,200)</u>	<u>\$ (42,200)</u>

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

	2010		2009	
	Increase	Decrease	Increase	Decrease
Effect on aggregate current service cost and interest cost	\$ 33,800	\$ (26,700)	\$ 34,900	\$ (27,700)
Effect on year-end defined benefit obligation	286,500	(232,200)	275,300	(223,100)

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

10 Retirement Benefit Asset/(Obligation) (continued)

(b) Post-employment medical benefits (continued)

Experience history:

		As at September 30		
	2010	2009	2008	2007
Experience adjustment on Plan liabilities	\$ 5,700	\$ 6,400	\$(42,600)	\$(62,900)

The principal actuarial assumptions used were as follows*:

	As at September 30	
	2010	2009
Discount rate	6.25%	7.75%
Medical expenses increases	5.75%	7.25%

* Rates shown are per annum.

11 Cash In Escrow

	As at September 30	
	2010	2009
COPCO Bankers Trust Liquid Account	\$ 79,670	\$ 79,961
COPCO Collection Account	<u>34,764</u>	<u>34,894</u>
	<u>\$ 114,434</u>	<u>\$ 114,855</u>
Beginning of year	\$ 114,855	\$ 113,187
Interest	7	41
Exchange differences	<u>(428)</u>	<u>1,627</u>
End of year	<u>\$ 114,434</u>	<u>\$ 114,855</u>

These deposits are held for the benefit of the Noteholders and MBIA Insurance Corporation in accordance with their respective interests as part of the collateral associated with the Notes issued by COPCO. (See Note 22(c)).

The deposit at Bankers Trust Liquid account will be held in escrow until its maturity on January 15, 2014. At September 30, 2010, the weighted average effective interest rate on this account was 0.008% (2009: 0.05%). The COPCO collection account is a non-interest earning deposit account.

These deposits are rated Aa3 by Moody's.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

12 Available-for-sale financial instruments

	As at September 30	
	2010	2009
Beginning of year	\$ 4,126	\$ 4,068
Deposit - Colonial Life Insurance Company Limited (CLICO)	2,553	--
Impairment	(1,097)	--
Exchange differences	<u>(16)</u>	<u>58</u>
End of year	<u>\$ 5,566</u>	<u>\$ 4,126</u>
La Brea Industrial Development Company Limited (LABIDCO)	\$ 3,920	\$ 3,935
Colonial Life Insurance Company Limited (CLICO)	1,456	--
Metal Industries Company Limited	189	190
Lake Asphalt of Trinidad and Tobago (1975) Limited (LATT)	<u>1</u>	<u>1</u>
	<u>\$ 5,566</u>	<u>\$ 4,126</u>

There were no disposals during the year. In the year ended September 30, 2010 an impairment loss of \$1,097 was recorded (2009: \$nil). These investments are not rated.

Petroleum Company of Trinidad and Tobago Limited**September 30, 2010****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****13 Investment In Jointly Controlled Entity**

	As at September 30	
	2010	2009
World GTL Trinidad Limited (WGTL TL)	\$ 1	\$ 1
Exchange differences	<u>--</u>	<u>--</u>
End of year	<u>\$ 1</u>	<u>\$ 1</u>
Beginning of year	\$ 1	\$ 244,617
Additional capital investment	--	290,724
Share of loss for the year	--	(536,135)
Exchange differences	<u>--</u>	<u>795</u>
End of year	<u>\$ 1</u>	<u>\$ 1</u>

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

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

Any share of unrecognised losses is disclosed below.

	As at September 30	
	2010	2009
Share of unrecognised losses not disclosed	<u>\$ --</u>	<u>\$ 43,117</u>

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

On February 1, 2011, the Receiver published a notice advertising the sale of an unfinished gas-to-liquids plant and other assets of World GTL TL. (See Note 39 (d)).

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

14 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 2010	2009 Restated
At start of year:	(1,514,716)	(1,921,137)
Credit for the year – Continuing operations (Note 32)	74,833	389,268
Credit for the year – Discontinued operations (Note 32)	<u> --</u>	<u> 17,153</u>
At end of year	<u>\$ (1,439,883)</u>	<u>\$ (1,514,716)</u>

Deferred income tax assets are recognised to the extent that realisation of the related tax benefit is probable. Unused tax losses for which no deferred income tax asset is recognised, amount to \$nil (2009: \$nil).

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

	As at September 30, 2009	(Charged)/ credited to Profit or Loss	As at September 30, 2010
	\$	\$	\$
Deferred income tax assets			
Retirement benefit obligation	717,376	60,128	777,504
Provision for abandonment – continuing operations	1,491,256	370,257	1,861,513
Vacation leave payable	72,399	(190)	72,209
Interest payable	324,614	27,035	351,649
Accelerated book depreciation	940	(940)	--
Tax losses carried forward	1,307,820	1,191,842	2,499,662
Exchange loss	<u>37,552</u>	<u>(37,552)</u>	<u> --</u>
	<u>3,951,957</u>	<u>1,610,580</u>	<u>5,562,537</u>
Deferred income tax liabilities			
Accelerated tax depreciation (E&P)	(1,882,498)	(282,982)	(2,165,480)
Accelerated tax depreciation (R&M)	(2,633,245)	(1,295,787)	(3,929,032)
Retirement benefit asset	(935,995)	41,545	(894,450)
Exchange gain	<u>(14,935)</u>	<u>1,477</u>	<u>(13,458)</u>
	<u>(5,466,673)</u>	<u>(1,535,747)</u>	<u>(7,002,420)</u>
Net deferred income tax liability	<u>(1,514,716)</u>	<u>74,833</u>	<u>(1,439,883)</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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

	As at September 30, 2008	(Charged)/ credited to Profit or Loss	As at September 30, 2009
	Restated \$	Restated \$	Restated \$
Deferred income tax assets			
Retirement benefit obligation	642,677	74,699	717,376
Provision for abandonment – continuing operations	2,272,993	(781,737)	1,491,256
Vacation leave payable	62,063	10,336	72,399
Interest payable	292,882	31,732	324,614
Accelerated book depreciation	666	274	940
Tax losses carried forward	28,550	1,279,270	1,307,820
Exchange loss	11,837	25,715	37,552
	<u>3,311,668</u>	<u>640,289</u>	<u>3,951,957</u>
Finance cost on decommissioning – discontinued operations	7,387	(7,387)	--
	<u>3,319,055</u>	<u>632,902</u>	<u>3,951,957</u>
Deferred income tax liabilities			
Accelerated tax depreciation (E&P)	(2,393,263)	510,765	(1,882,498)
Accelerated tax depreciation (R&M)	(1,971,766)	(661,479)	(2,633,245)
Retirement benefit asset	(831,385)	(104,610)	(935,995)
Exchange gain	(19,238)	4,303	(14,935)
	<u>(5,215,652)</u>	<u>(251,021)</u>	<u>(5,466,673)</u>
Accelerated tax depreciation – discontinued operations	(24,540)	24,540	--
	<u>(5,240,192)</u>	<u>(226,481)</u>	<u>(5,466,673)</u>
Net deferred income tax liability	<u>(1,921,137)</u>	<u>406,421</u>	<u>(1,514,716)</u>

15 Income taxes recoverable

	As at September 30 2010	2009
	<u>\$ 530,683</u>	<u>\$ 533,502</u>

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

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

16 Loans Receivable

	As at September 30	
	2010	2009
(a) Point Fortin LNG Exports Limited	\$ 5,867	\$ 5,495
(b) World GTL Trinidad Limited (WGTL TL)	--	751,286
(c) World GTL Inc.	--	--
(d) World GTL Trinidad Limited (WGTL TL) in receivership	--	--
	<u>\$ 5,867</u>	<u>\$ 756,781</u>
<i>of which:</i>		
Current portion	\$ 1,232	\$ 618
Non-current portion	4,635	756,163
At end of year	<u>\$ 5,867</u>	<u>\$ 756,781</u>
Beginning of year	\$ 756,781	\$ 329,396
Disbursements	268,809	1,175,532
Impairment loss (Note 29)	(1,118,377)	(813,160)
Reversal of previous Impairment losses (Note 29)	939	--
Interest (Note 28)	107,067	47,033
Recoveries	(618)	--
Exchange differences	<u>(8,734)</u>	<u>17,980</u>
End of year	<u>\$ 5,867</u>	<u>\$ 756,781</u>

- (a) This amount represents a non-interest bearing loan, which was Petrotrin's share (19.5%) of Point Fortin LNG Exports Limited's (PFLE) funding request of its shareholders. Under the PFLE Shareholders/Affiliates Facility Agreement of May 1, 2002, Petrotrin along with the other shareholders of PFLE agreed to each make available a revolving working capital facility of an amount up to a total of US\$10,000 (TT\$63,188) for an initial period to June 30, 2009 with any outstanding amounts being repayable in full by December 31, 2009. A further extension of the term of this Facility was requested by the PFLE Board of Directors from December 1, 2009 to December 31, 2015, with two instalments being paid to date in December 2009 and December 2010 respectively. The remaining balance will be repaid as cash becomes available. The carrying value of this loan as at September 30, 2010 was US\$779/TT\$4,928 while its fair value was US\$928/TT\$5,867. A partial reversal of impairment loss of US\$149/TT\$939 was made to profit or loss in financial year 2010 (2009 Impairment loss of US\$415/TT\$2,603).

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

16 Loans Receivable (continued)

- (b) This loan arose from Petrotrin's settlement on July 07, 2009, of a loan payable by WGTL TL to a financial institution. As a result, 100% of the rights and interests of the Lender under its Credit Agreement with 'WGTL TL' were assigned to Petrotrin. On September 25, 2009, Petrotrin exercised its rights under the assigned Credit Agreement to appoint a receiver after WGTL TL failed to repay the subject Loan on its maturity on September 18, 2009. Several indicators of impairment existed as at September 30, 2010 including WGTL TL being placed in receivership. As such impairment testing was carried out using value-in-use method. Due to insufficient cash flows and following discussions with management and the receiver, the balance on this loan receivable was fully impaired in the year ended September 30, 2010 (US\$ 125,968/TT\$790,176). An impairment loss of US\$22,792/TT\$144,560 was recognised in the year ended September 30, 2009.
- (b) The Guarantee Contribution Agreement of January 12, 2007, between World GTL Inc. and Petrotrin caters for the funding of cost overruns on the construction of the WGTL Trinidad Limited Gas-to-Liquids Plant, with periodic draw-downs. This loan represented shortfalls in the funding made by World GTL Inc., which were met by Petrotrin to a total amount of US\$97,107/TT\$609,862. These amounts are to be repaid on the second anniversary of the date of the respective disbursement, and interest was accrued at 7.23% during the first year of disbursement and 7.73% thereafter. Due to insufficient cash flows to service the WGTL-TL loan, the World GTL Inc loan became fully impaired at September 30, 2009. A further provision for impairment was made on interest in arrears recorded for the year ended September 30, 2010 (US\$7,514/TT\$47,632)*.
- (c) At a meeting held on November 18, 2009 the Board of Directors agreed that all funds advanced by Petrotrin to the receiver will form a secured loan between Petrotrin and the receiver, at an interest rate of 10.37% for a term of three (3) years with a one (1) year moratorium on principal repayment. All funds advanced to the receiver will be used to complete the gas-to-liquids plant.

This receivable was fully impaired as at September 30, 2010 resulting in an impairment loss of US\$51,798/TT\$328,201* being recognised in the year ended September 30, 2010.

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

17 Inventories

	As at September 30	
	2010	2009
Materials and supplies	\$ 447,857	\$ 453,118
Less: provision for obsolescence	<u>(74,833)</u>	<u>(53,310)</u>
	373,024	399,808
Crude oil	989,233	685,891
Refined products	<u>2,130,789</u>	<u>1,616,228</u>
	<u>\$ 3,493,046</u>	<u>\$ 2,701,927</u>

The Group recognised an increase of \$21,523 (2009: \$3,233) in the provision for obsolescence of its inventories.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

18 Receivables and Prepayments

	As at September 30	
	2010	2009
Trade receivables	\$ 1,361,686	\$ 1,259,952
Less: provision for impairment of trade receivables	<u>(4,989)</u>	<u>(16,443)</u>
	<u>1,356,697</u>	<u>1,243,509</u>
Related Parties	3,100,364	2,076,938
Less: provision for impairment of receivables	<u>(74,627)</u>	<u>(181,849)</u>
	<u>3,025,737</u>	<u>1,895,089</u>
Other receivables	281,842	290,859
Less: provision for impairment of other receivables	<u>(85,034)</u>	<u>(73,767)</u>
	<u>196,808</u>	<u>217,092</u>
Trade and other receivables excluding prepayments and taxes	4,579,242	3,355,690
Taxes recoverable	49,181	25,985
Prepayments	<u>138,529</u>	<u>99,110</u>
Trade and other receivables including prepayments and taxes	<u>\$ 4,766,952</u>	<u>\$ 3,480,785</u>

19 Cash and Cash Equivalents

Cash at bank and in hand	\$ 530,347	\$ 984,350
Short-term bank deposits	<u>1,899,297</u>	<u>4,638,025</u>
	<u>\$ 2,429,644</u>	<u>\$ 5,622,375</u>

The weighted average effective interest rate on short-term deposits was 0.47% (2009: 2.74%). These deposits have an average maturity of fifty-nine days (2009: twenty-six days).

For purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	As at September 30	
	2010	2009
Cash and cash equivalents	\$ 2,429,644	\$ 5,622,375
Bank overdraft (Note 25)	<u>(23)</u>	<u>(41,241)</u>
	<u>\$ 2,429,621</u>	<u>\$ 5,581,134</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

20 Discontinued Operations

On April 21, 2009, the Group executed the sale of 65% of Galeota assets (including relevant licences, unoccupied field offices, platforms and facilities, and pipeline to shore) to Bayfield Energy (Galeota) Limited. The effective date of the sale was May 1, 2009. As part of the Joint Operating and Farmout Agreements Bayfield Energy (Galeota) Limited has specific work and financial obligations. In consideration for this sale, the Group obtained Exploration, Development, Production and Financial Carries; and also retained a 35% Participating Interest in the Licence.

(a) Cash flow statement for discontinued operations

	Year ended September 30	
	2010	2009
Operating cash flows	\$ --	\$ (14,790)
Investing cash flows	\$ --	\$ --

(b) Analysis of the result of discontinued operations

	Year ended September 30	
	2010	2009
Revenue	\$ --	\$ 30,783
Cost of sales (Note 28 (b))	--	(40,350)
Gross (loss)/profit	--	(9,567)
Gain on disposal of discontinued operation (Note 28(b))	--	77,599
Operating profit	--	68,032
Finance Costs	--	--
Profit before tax of discontinued operations	--	68,032
Tax	--	(28,730)
Profit for the year from discontinued operations	\$ --	\$ 39,302

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

21 Share Capital

	As at September 30	
	2010	2009
Authorised		
300,000,000 ordinary shares of no par value (2008: 300,000,000 ordinary shares of no par value) (2007: 300,000,000 ordinary shares of no par value)		
Issued and fully paid		
300,000,000 ordinary shares of no par value (2008: 300,000,000 ordinary shares of no par value) (2007: 300,000,000 ordinary shares of no par value)		
	<u>\$ 2,272,274</u>	<u>\$ 2,272,274</u>

22 Borrowings

	As at September 30	
	2010	2009
Gasoline Optimisation Project /Ultra Low Sulfur Diesel Plant (a)	\$ 5,291,953	\$ 5,306,831
Gasoline Optimisation Project (b)	4,689,131	4,699,344
Notes Issued by COPCO under the terms of a forward sale contract (c)	418,690	520,590
Project funding (d)	--	6,820
Other (e)	<u>77,879</u>	<u>78,170</u>
	10,477,653	10,611,755
Less: current portion	<u>(495,858)</u>	<u>(107,156)</u>
Non-current portion	<u>\$ 9,981,795</u>	<u>\$ 10,504,599</u>

The current portion of borrowings at September 30, 2009 included a secured liability in the sum of \$6,820. This borrowing was secured by the provision of Government of the Republic of Trinidad and Tobago (GORTT) guarantee, and was fully repaid in the year ended September 30, 2010.

	As at September 30	
	2010	2009
Total borrowings		
- at fixed rates	\$ 10,477,653	\$ 10,604,935
- at floating rates	<u>--</u>	<u>6,820</u>
	<u>\$ 10,477,653</u>	<u>\$ 10,611,755</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2010****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****22 Borrowings (continued)**

Weighted average effective interest rates:

	As at September 30	
	2010	2009
- bank borrowings (medium and long-term)	7.99%	7.99%

Maturity of non-current borrowings

Later than 1 and less than 3 years	\$ 1,098,105	\$ 1,075,583
Between 3 and 4 years	456,187	517,053
5 years and over	<u>8,427,503</u>	<u>8,911,963</u>
	<u>\$ 9,981,795</u>	<u>\$ 10,504,599</u>

The amounts disclosed in the table below are the contractual undiscounted cash flows (*principal plus interest*) for the relevant maturity groupings.

	As at September 30	
	2010	2009
Less than 1 year	\$ 1,328,875	\$ 957,657
Between 1 and 2 years	1,383,464	1,419,231
Between 2 and 4 years	2,469,560	2,610,769
5 years and over	<u>12,375,173</u>	<u>13,198,950</u>
Total	<u>\$ 17,557,072</u>	<u>\$ 18,186,607</u>

Borrowing facilities:

As at September 30, 2010, the Group has short-term credit facilities with various foreign and local banking institutions totalling \$3,853,969 (2009: \$3,706,608), of which the sum of \$1,758,907 (2009: 2,866,902) was unutilised.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22 Borrowings (continued)

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

	As at September 30	
	2010	2009
Gasoline Optimisation Project/Ultra Low Sulfur Diesel Plant	<u>\$ 5,291,953</u>	<u>\$ 5,306,831</u>

Petrotrin issued US\$850 million Senior Unsecured Notes under 144A/Reg S offering on August 14, 2009. A fixed coupon of 9.75% per annum and an issue yield of 9.875% for a 10-year tenor with a bullet payment on principal were obtained. These notes were rated Baa3/BBB by Moody's Investor Services and Standard and Poors' respectively. The proceeds of the Notes will be used to complete the Gasoline Optimisation Project (GOP), which was initially funded by the first bond offering dated May 8, 2007 (See Note 22 (b)), and to construct the Ultra Low Sulfur Diesel (ULSD) Plant. The GOP is an extensive upgrade of the refinery, which, upon implementation will enable Petrotrin to produce increased volumes of higher quality environmentally satisfactory gasoline. The GOP includes the addition of an upgraded Fluidised Catalytic Cracking Unit (FCCU), a Naphtha Pre-Fractionation Unit (PFU), an Isomerisation Unit, a Continuous Catalyst Regeneration Platforming Unit (CCR), an Alkylation Unit/Acid Plant and all associated utilities and offsites. The project is estimated to be completed by June 2011.

The ULSD Plant is a high pressure, catalytic, hydrotreating process utilising the SynSat licensed process technology. Upon implementation, Petrotrin will produce improved quality diesel that will meet new local and international quality specifications. In addition, the new ULSD Plant will provide additional value as it would enable our Refinery to process a broader range of crude oils, and can result in the substitution of relatively expensive crudes with some that are less expensive, improving overall margins. The project is estimated to be completed by March 2012.

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

Interest on the Notes started accruing from August 14, 2009 and is payable semi-annually on each August 14 and February 14. A bullet principal payment will be made on August 14, 2019. The Notes are subject to optional redemption.

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

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22 Borrowings (continued)

(b) Gasoline Optimisation Project (GOP)

	As at September 30	
	2010	2009
Gasoline Optimisation Project	<u>\$ 4,689,131</u>	<u>\$ 4,699,344</u>

Petrotrin issued US\$750 million Senior Unsecured Notes under 144A/Reg S offering on May 8, 2007. A fixed coupon of 6% per annum and an issue yield of 6.062% for a 15-year tenor together with a 3-year moratorium on principal repayments were obtained. These notes were rated Baa2/BBB+ by Moody's Investor Services and Standard and Poors' respectively. The proceeds of the Notes financed a large portion of the Gasoline Optimisation Project (GOP), the remainder being financed by the second bond offering dated August 14, 2009 (See Note 22(a)). The GOP is an extensive upgrade of the refinery, which, upon implementation will enable Petrotrin to produce increased volumes of higher quality environmentally satisfactory gasoline. The GOP includes the addition of an upgraded Fluidised Catalytic Cracking Unit (FCCU), a Naphtha Pre-Fractionation Unit (PFU), an Isomerisation Unit, a Continuous Catalyst Regeneration Platforming Unit (CCR), an Alkylation Unit/Acid Plant and all associated utilities and offsites. The project is estimated to be completed by June 2011.

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

Interest on the Notes started accruing from May 8, 2007 and is payable semi-annually on each May 8 and November 8. Principal payments will be made in 24 equal semi-annual instalments of US\$31,250 (TT\$198,200) on each interest payment date commencing on November 8, 2010 and ending on May 8, 2022. The Notes are subject to optional redemption.

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

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22 Borrowings (continued)

(c) Notes Issued by COPCO

	As at September 30	
	2010	2009
Notes Issued by COPCO	<u>\$ 418,690</u>	<u>\$ 520,590</u>

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

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

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

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

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

22 Borrowings (continued)

(d) Project Funding

	As at September 30	
	2010	2009
Advances from Caribbean Development Bank (CDB)	<u>\$ --</u>	<u>\$ 6,820</u>

Advances from CDB loan was guaranteed by the GORTT and was entered into on April 30, 1993 for a principal sum of US\$18,000 (TT\$114,163) to be used on Secondary Recovery of Oil Onshore (Heavy Oil Recovery at Forest Reserve and Point Fortin). The final disbursement on the facility was made on June 30, 1997. Effective October 23 2008, CDB converted the EC Dollar and TT Dollar loan tranches to US Dollars.

Interest was payable quarterly, and the rate varied between 4.50% to 4.80% during the year (2009: 5.32% to 5.92%).

This loan was fully repaid on July 22, 2010.

(e) Other

	As at September 30	
	2010	2009
The National Gas Company of Trinidad and Tobago Limited	<u>\$ 77,879</u>	<u>\$ 78,170</u>

This represents an amount owed to The National Gas Company of Trinidad and Tobago Limited (NGC) by Trintomar in respect of a loan agreement dated July 12, 1993 for a principal sum of US\$24,000. This is an interest free unsecured loan with no repayment without eighteen months notice.

Petroleum Company of Trinidad and Tobago Limited**September 30, 2010****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****22 Borrowings (continued)****The carrying amounts of borrowings are stated below:**

	As at September 30	
	2010	2009
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	\$ 5,291,953	\$ 5,306,831
Gasoline Optimisation Project	4,689,131	4,699,344
Notes Issued by COPCO under the terms of a forward sale contract	418,690	520,590
Project funding	--	6,820
Other	<u>77,879</u>	<u>78,170</u>
	<u>\$ 10,477,653</u>	<u>\$10,611,755</u>

The fair value of borrowings are stated below:

Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	\$ 2,724,157	\$ 2,532,923
Gasoline Optimisation Project	3,685,857	3,054,706
Notes Issued by COPCO under the terms of a forward sale contract	404,993	457,037
Project funding	--	6,820
Other	<u>50,119</u>	<u>48,011</u>
	<u>\$ 6,865,126</u>	<u>\$ 6,099,497</u>

The fair value of borrowings was derived by discounting all future principal payments at prevailing market interest rates that ranged from 1.92% to 7.80% (2009: 5.54% to 7.80%). The discount rates used to derive the fair value of the bonds represent the borrowing rates if Petrotrin were to access the market at year end. This pricing is derived by adding the US Treasury rate for the average life of the bond plus Petrotrin's credit spread which is taken from Bloomberg's screen shot of the yield to average life (YTAL) on the associated bond at year end.

The significant difference between the carrying amounts and fair value of borrowings is mainly associated with:

- (a) the GOP loan, on which there is a three year moratorium on principal repayments together with an average life of 6 years (2009: 6.75 years) and a discount rate of 4.55% (2009: 7.34%); and
- (b) the GOP / ULSD loan, which has a bullet principal repayment together with an average life of 10 years and a discount rate of 7.80%.

Petroleum Company of Trinidad and Tobago Limited**September 30, 2010****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****22 Borrowings (continued)**

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

	As at September 30	
	2010	2009
	\$	\$
Increase by 1%		
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	(222,445)	(229,055)
Gasoline Optimisation Project	(184,390)	(166,484)
Notes Issued by COPCO under the terms of a forward sale contract	(6,871)	(9,849)
Other	(2,723)	(2,551)
	<u>(416,429)</u>	<u>(407,939)</u>
Decrease by 1%		
Gasoline Optimisation Project / Ultra Low Sulphur Diesel Plant	243,442	253,102
Gasoline Optimisation Project	199,469	180,581
Notes Issued by COPCO under the terms of a forward sale contract	7,049	10,167
Other	2,970	2,779
	<u>452,930</u>	<u>446,629</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2010****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****23 Provisions****Decommissioning Costs**

	As at September 30	
	2010	2009
At start of year	\$ 2,807,919	\$ 4,162,899
Revised costs estimates	467,667	(1,728,602)
Liabilities associates with non-current assets held-for-sale	--	--
Charge to income statement:		
- Finance charge on continuing operations (Note 31)	237,437	329,183
- Finance charge on discontinued operations	--	--
- Utilisation	(21,264)	(18,461)
Translation differences	<u>(11,210)</u>	<u>62,900</u>
At end of year	<u>\$ 3,480,549</u>	<u>\$ 2,807,919</u>
<i>of which:</i>		
Current portion	4,247	51,444
Non-current portion	<u>3,476,302</u>	<u>2,756,475</u>
At end of year	<u>3,480,549</u>	<u>2,807,919</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 7.88% (2009: 8.62 %) per annum. The increase in decommissioning costs in the year ended September 30, 2010 is mainly due to a lower discount rate (\$374,116) and revised cost structures (\$92,624). The lower discount rate is due to a reduction in the risk free rate of interest. The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be between 2011 and 2030.

Petroleum Company of Trinidad and Tobago Limited**September 30, 2010****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****24 Trade And Other Payables**

	As at September 30	
	2010	2009
Trade payables	\$ 1,015,726	\$ 671,071
Due to related parties	267,940	216,408
Benefits due to employees	616,206	620,486
Accrued expenses	1,020,443	873,376
Accrued interest	191,871	195,460
Other payables	<u>100,556</u>	<u>59,499</u>
Trade and other payables excluding statutory liabilities	3,212,742	2,636,300
Due to Government of Trinidad and Tobago		
- Royalties	222,937	188,661
- Taxes other than income taxes	<u>224,147</u>	<u>196,420</u>
Trade and other payables including statutory liabilities	<u>\$ 3,659,826</u>	<u>\$ 3,021,381</u>

25 Bank Overdraft And Short-Term Loans

	As at September 30	
	2010	2009
Bank overdraft	(a) \$ 23	\$ 41,241
Short-term loans	(b) <u>1,966,942</u>	<u>1,192,094</u>
	<u>\$ 1,966,965</u>	<u>\$ 1,233,335</u>

- (a) The bank overdraft is an amount for cheques written which have not yet been drawn on the bank account.
- (b) Short-term loans during the year were unsecured with effective interest rates ranging from 0.79% to 2.16% (2009: 2.75% to 4.06%) per annum. They had varying maturity dates of 88 to 119 days (2009: 28 to 120 days).

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

26 Revenue

	Year ended September 30	
	2010	2009
Refined products sales	\$ 24,261,837	\$ 20,747,402
Natural gas sales	616,699	556,841
Crude oil sales	432,172	319,440
Royalty income	615,046	380,109
Natural gas liquids sales	15,328	19,792
Other	<u>1,332</u>	<u>971</u>
	<u>\$ 25,942,414</u>	<u>\$ 22,024,555</u>

27 Other Operating Income

Marine income	\$ 54,449	\$ 57,984
Processing fees	4,954	4,691
Income from utilities	23,717	16,645
Interest on receivables	45,312	71,708
Other income	<u>15,027</u>	<u>39,311</u>
	<u>\$ 143,459</u>	<u>\$ 190,339</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2010****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****28 Operating costs by nature**

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

	Year ended September 30, 2010				
	Cost of sales	Administrative expenses	Marketing expenses	Other Operating expenses	Total
	\$	\$	\$	\$	\$
Purchases	16,882,171	--	--	--	16,882,171
Production taxes	2,847,604	--	--	--	2,847,604
Employee benefits expense (excluding retirement benefits) (Note 30)	1,083,478	618,855	50,292	--	1,752,625
Production and refining expenses	1,270,369	--	--	--	1,270,369
Movement in inventories (817,903)	(817,903)	--	--	--	(817,903)
Amortisation of intangible assets (Note 7)	700,978	--	--	8,463	709,441
Depreciation (Note 6)	348,902	--	--	9,088	357,990
Operating lease rental	323,064	12,970	867	--	336,901
Loss on disposal of property, plant and equipment and intangible assets (Note 38)	--	415	--	215	630
Post-employment medical charges (Note 10)	--	189,000	--	--	189,000
Gain on foreign currency exchange	--	--	--	(3,172)	(3,172)
Charge for bad and doubtful debts (Note 4.1 (b))	88,106	741	--	--	88,847
Directors and key management remuneration (Note 36)	--	6,819	--	--	6,819
Increase in provision for inventory obsolescence (Note 17)	3,402	18,121	--	--	21,523
Interest on loan receivable (Note 16)	--	(107,067)	--	--	(107,067)
Pension benefit income (Note 10)	--	205,100	--	--	205,100
Other expenses	<u>66,441</u>	<u>85,570</u>	<u>66,971</u>	<u>(1,272)</u>	<u>217,710</u>
Total	<u>22,796,612</u>	<u>1,030,524</u>	<u>118,130</u>	<u>13,322</u>	<u>23,958,588</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

28 Operating costs by nature (continued)

	Year ended September 30, 2009 - Restated				Total
	Cost of sales	Administrative expenses	Marketing expenses	Other Operating expenses	
	\$	\$	\$	\$	
Purchases	14,397,553	--	--	--	14,397,553
Production taxes	2,124,080	--	--	--	2,124,080
Employee benefits expense (excluding retirement benefits) (Note 30)	1,044,462	596,156	50,001	--	1,690,619
Production and refining expenses	1,213,451	--	--	--	1,213,451
Movement in inventories	640,429	--	--	--	640,429
Amortisation of intangible assets (Note 7)	394,992	--	--	17,407	412,399
Depreciation (Note 6)	340,299	--	--	10,613	350,912
Operating lease rental	257,732	14,699	3,733	--	276,164
(Gain) / loss on disposal of property, plant and equipment and intangible assets (Note 38)	--	516	--	(1,404)	(888)
Post-employment medical charges (Note 10)	--	198,900	--	--	198,900
Loss on foreign currency exchange	--	--	--	13,477	13,477
Charge for bad and doubtful debts (Note 4.1(b))	25,442	1,369	--	--	26,811
Directors and key management remuneration (Note 36)	--	8,728	--	--	8,728
Increase in provision for inventory obsolescence (Note 17)	1,952	1,281	--	--	3,233
Interest on loan receivable (Note 16)	--	(47,033)	--	--	(47,033)
Pension benefit income (Note 10)	--	(73,900)	--	--	(73,900)
Other expenses	<u>39,030</u>	<u>101,353</u>	<u>40,119</u>	<u>(800)</u>	<u>179,702</u>
Total	<u>20,479,422</u>	<u>802,069</u>	<u>93,853</u>	<u>39,293</u>	<u>21,414,637</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

28 Operating costs by nature(continued)

- (b) The following items are included in cost of sales; administrative expenses; marketing expenses; other operating expenses and other operating income to arrive at operating profit from discontinued operations classified as held-for-sale (Note 20(b))

	Year ended September 30	
	2010	2009
Production taxes	\$ --	\$ 16,728
Employee benefits expense (excluding retirement benefits)	--	4,525
Operating lease rental	--	9,475
Production expenses	--	2,260
Movement in inventories	--	2,856
Gain on disposal of discontinued operation	--	(77,599)
Other expenses	--	4,506
	<u>\$ --</u>	<u>\$ (37,249)</u>

29 Impairment Losses

Impairment loss related to loans receivable:		
- PFLE	--	2,603
- World GTL Inc.	--	665,997
- WGTL TL	790,176	144,560
- WGTL TL in receivership	<u>328,201</u>	<u>--</u>
	16 <u>1,118,377</u>	<u>813,160</u>
Impairment loss related to other investments:		
- CLICO	12 <u>1,097</u>	<u>--</u>
	<u>1,097</u>	<u>--</u>
Reversal of previous impairment losses:		
- PFLE	<u>(939)</u>	<u>--</u>
	<u>(939)</u>	<u>--</u>
Net impairment losses	<u>\$ 1,118,535</u>	<u>\$ 813,160</u>

Petroleum Company of Trinidad and Tobago Limited**September 30, 2010****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****30 Employee Benefits Expense for continuing operations (excluding retirement benefits)**

	Year ended September 30	
	2010	2009
Salaries and wages benefits	\$ 1,254,619	\$ 1,126,962
Allowances	148,956	184,043
Overtime	170,406	168,241
Other personnel costs	23,646	56,187
Medical services	47,011	49,577
Travel plan	18,183	17,944
Voluntary Selective Separation Plan	719	1,916
Housing aid	20,959	20,636
Savings plan	29,921	26,225
National Insurance	38,205	38,888
	<u>\$ 1,752,625</u>	<u>\$ 1,690,619</u>

31 Finance income and costs

- Bank borrowings	\$ (1,197)	\$ (42,273)
- Finance charge on decommissioning costs related to continuing operations(Note 23)	<u>(237,437)</u>	<u>(329,183)</u>
	\$ (238,634)	\$ (371,456)
- Finance charge on decommissioning costs related to discontinued operations(Note 23)	--	--
- Finance charge shown as part of discontinued operations	<u>--</u>	<u>--</u>
Finance Costs	\$ (238,634)	\$ (371,456)
Finance income:		
- Interest on short-term investments	<u>4,574</u>	<u>24,741</u>
Finance income and costs	<u>\$ (234,060)</u>	<u>\$ (346,715)</u>

In the year ended September 30, 2010 the Group incurred interest on general borrowings of \$68,272 (2009: \$118,496), of which \$67,075 (2009: \$76,223) was capitalised. (See Notes 6 and 7).

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

32 Tax

	Year ended September 30	
	2010	2009
		Restated
Tax expense:		
Current tax on continuing operations	\$ 983,463	\$ 379,273
Current tax on discontinued operations	--	45,883
Deferred income tax – continuing operations	(74,833)	(389,268)
Deferred income tax – discontinued operations	--	(17,153)
	<u>\$ 908,630</u>	<u>\$ 18,735</u>
Tax on continuing operations	\$ 908,630	\$ (9,995)
Tax on discontinued operations (Note 20)	--	28,730
	<u>\$ 908,630</u>	<u>\$ 18,735</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, 2010	
	Note	Total	Continuing Operations
Profit before tax from continuing operations		\$ 774,690	\$ 774,690
Profit before tax from discontinued operations	20	--	--
		<u>\$ 774,690</u>	<u>\$ 774,690</u>
Tax calculated at a rate of 55%		\$ (426,080)	\$ (426,080)
- Expenses not deductible for tax purposes		(650,250)	(650,250)
- Income not subject to tax		739	739
- Effect of investment tax credit (uplift)		284,486	284,486
- Prior year tax adjustment		(531)	(531)
- R&M deferred taxes rate reduction		(3,826)	(3,826)
- Over provision of prior year deferred income taxes		(113,168)	(113,168)
		<u>\$ (908,630)</u>	<u>\$ (908,630)</u>

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

32 Tax (continued)

	Note	Year ended September 30, 2009		
		Total	Continuing Operations	Discontinued Operations
Loss before tax from continuing operations		\$ (895,753)	\$ (895,753)	\$ --
Profit before tax from discontinued operations	20	<u>68,032</u>	<u>--</u>	<u>68,032</u>
		<u>\$ (827,721)</u>	<u>\$ (895,753)</u>	<u>\$ 68,032</u>
Tax calculated at a rate of 55%		\$ 455,246	\$ 492,664	\$ (37,418)
- Expenses not deductible for tax purposes		(750,108)	(750,108)	--
- Income not subject to tax		126,210	126,210	--
- Effect of investment tax credit (uplift)		206,790	206,790	--
- Prior year tax adjustment		(3,637)	(3,637)	--
- R&M deferred taxes rate reduction		99,827	99,827	--
- (Over)/Under provision of prior year deferred income taxes		<u>(153,063)</u>	<u>(161,751)</u>	<u>8,688</u>
		<u>\$ (18,735)</u>	<u>\$ 9,995</u>	<u>\$ (28,730)</u>

33 Reclassification and restatement of prior year balances

During the year as a result of the introduction of IAS 1 (Revised) (see Note 2.2 (e)), and a consequent review of prior year movements taken through the statement of changes in equity, together with a thorough review of the deferred income tax consequences of movements on long term assets, a number of restatements to prior period reported balances were found to be necessary. These restatements are described below and are shown in the table on the following page.

(i) Reclassification resulting from the adoption of IAS 1 (R)

Prior to September 30, 2010 an element of currency translation differences was included within retained earnings. These amounts were reclassified and comparative data re-presented to reflect the corrected balances of currency translation differences and retained earnings in the statement of financial position as well as the statement of changes in equity.

(ii) Accumulated depreciation on abandonment assets written back

Prior to the year ended September 30, 2010 the provision for depreciation was not adjusted for assets which were abandoned. Effective September 30, 2010 the accumulated depreciation on the abandoned assets were transferred to profit or loss. Comparative data disclosed at September 30, 2009 and 2008 have also been restated to reflect this change in retained earnings.

Restatements due to changes in treatment of deferred income taxes:

(iii) Currency translation differences on property, plant and equipment and intangible assets and unrealised differences in exchange on functional currency monetary amounts

These translation differences arise as property, plant and equipment and intangible asset balances presented in the financial statements are converted to the presentation currency at the respective period end closing rate. This exchange rate difference, that is, the difference between the historic rate and the closing rate was previously taken up as part of the carrying value of the asset for deferred income tax calculation. In reality however, they would never materialise into actual taxes as capital allowances are taken only on historic balances.

This treatment was corrected in the year ended September 30, 2010 and prior year balances restated to eliminate the impact of exchange rate differences taken up previously in deferred income tax calculation.

The functional currency of the Group is the US dollar. As a result, any unrealised differences in exchange arising from the translation of non-US\$ monetary items at the respective period end rate, would be recognised in profit or loss for the year. These unrealised differences were taken up previously in computing the deferred income tax expense recognised in the financial statements. Under local tax laws, the differences in exchange that would attract taxes would be those arising out of the translation of US\$ monetary amounts, as the currency of Trinidad and Tobago is the TT\$.

Since the unrealised differences taken up previously would never materialise into actual taxes paid, this treatment was corrected in the year ended September 30, 2010 and prior year balances restated to reflect the deferred income tax impact of unrealised differences on non-TT\$ monetary items.

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

33 Reclassification and restatement of prior year balances (continued)

(iv) *Provision for abandonment/decommissioning costs.*

Prior to year ended September 30, 2010, deferred income tax was calculated only on the finance charge component of the abandonment provision. Effective September 30, 2010 deferred income tax is calculated on the full value of both the abandonment provision and the asset. Additionally, deferred income tax is now calculated on interest capitalised on general borrowings. Previously, this was omitted from the carrying value of property, plant and equipment and intangible assets taken up for tax purposes. Comparative data at September 30, 2009 and 2008 have been restated to reflect this change in calculating the deferred tax position.

The table below summarises the restatements that were made in the statement of financial position at September 30, 2009 and 2008 respectively:

	Before Restatement	Reclassification (IAS 1 (R)) (See Note 2.2 (e))	Accumulated depreciation on abandonment assets written back	Restatements Deferred income tax – currency translation and unrealised differences	Deferred income tax – abandonment provision	Restated
As at September 30, 2009:	\$	\$	\$	\$	\$	\$
Intangible assets	4,947,179	--	36,926	--	--	4,984,105
Retained earnings	7,461,245	17,225	36,754	69,655	170,049	7,754,928
Currency translation differences	109,268	(17,225)	172	--	--	92,215
Net deferred income tax liabilities	1,754,420	--	--	(69,655)	(170,049)	1,514,716
As at September 30, 2008:						
Intangible assets	6,510,790	--	23,848	--	--	6,534,638
Retained earnings	8,239,481	17,225	24,018	(28,180)	349,641	8,602,185
Currency translation differences	(23,714)	(17,225)	(170)	--	--	(41,109)
Net deferred income tax liabilities	2,225,625	--	--	28,000	(349,641)	1,903,984
Liabilities directly associated with non-current asset classified as held-for-sale	67,822	--	--	180	--	68,002

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September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

33 Reclassification and restatement of prior year balances (continued)

The table below summarises the restatements that were made in the statement of comprehensive income for the year ended September 30, 2009:

	Restatements				
	Before Restatement	Accumulated depreciation on abandonment assets written back	Deferred income tax – Currency translation and unrealised differences	Deferred income tax – abandonment provision	Restated
	\$	\$	\$	\$	\$
Year ended September 30, 2009					
Cost of sales	(20,492,158)	12,736	--	--	(20,479,422)
Income tax expense	91,932	--	97,655	(179,592)	9,995
Profit for the year from discontinued operation (net of income tax)	39,122	--	<u>180</u>	--	39,302
Sub-Total		<u><u>12,736</u></u>	<u><u>97,835</u></u>	<u><u>(179,592)</u></u>	

The table below summarises the restatement that was made in the statement of cash flows for the year ended September 30, 2009:

	Restatement		
	Before Restatement	Accumulated depreciation on abandonment assets written back	Restated
	\$	\$	\$
Year ended September 30, 2009			
Loss before tax from continuing operations	(908,489)	12,736	(895,753)
Amortisation of intangible assets	425,135	<u>(12,736)</u>	412,399
Sub-Total		<u><u>--</u></u>	

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

34 Contingent Liabilities

(a) Housing loan guarantee

The Group has guaranteed mortgage-housing loans amounting to approximately \$12,375 (2009: \$14,034) made by various financial institutions to its employees participating in the housing aid scheme operated by the Group.

(b) Letter of credit

The Group has an outstanding letter of credit facility with a financial institution for \$128,120 / US\$20,276 (2009: \$121,546/ US\$19,436) which expires on December 31, 2010. Effective January 1, 2011, this facility increased to \$129,561 / US\$20,504. 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 \$5,000 (2009: \$nil).

There are a number of other legal claims against the Group amounting to \$10,297 in the ordinary course of business, including employment and pollution. At present, it is not possible to predict the outcome of such legal proceedings; however, the Group believes that they will be resolved with no material impact on the Group operations, financial position or liquidity.

(d) Customs bonds

Contingent liabilities of the Group in respect of custom bonds amounted to approximately \$275 (2009 : \$275).

(e) Severance payments

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

(f) Financial support guarantee

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

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated 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

	As at September 30	
	2010	2009
Property, plant and equipment	<u>\$ 536,772</u>	<u>\$ 875,046</u>

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

There were no operating lease commitments at September 30, 2010 (2009: \$nil)

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

(c) Sales commitments

The Group has entered into long-term sales contracts with a number of its customers. At the reporting date, these amounted to approximately \$7,744,273 (2009: \$6,801,983). 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

The Group had no purchase commitments at September 30, 2010 (2009: \$nil).

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)

36 Related Party Transactions

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

Most significant transactions concern:

- Sale of refined products to Trinidad and Tobago National Petroleum Marketing Company Limited.
- Purchase of natural gas from The National Gas Company of Trinidad and Tobago Limited.
- The exploration for and production of crude oil and natural gas through joint ventures.
- The construction of the World GTL Trinidad Limited Gas-to-Liquids plant.
- Construction of an electrical sub-station to provide electricity services to the World GTL Trinidad Limited Gas-to-Liquids plant.

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

Name of Company/Equity	As at September 30, 2010		
	Gross Receivables \$	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	1,002,460	--
-Other	1,954	222,422	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	2,884,881	4,010	--
The National Gas Company of Trinidad and Tobago Limited	482	30,784	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	791,118	--	23,091
Point Fortin LNG Exports Limited	5,867	--	--
<u>Jointly controlled operations</u>			
Block 9 – Offshore	52,382	13,818	9,479
Brighton Marine – Sub-Area A	--	--	--
Central Farm out Block	12,343	51,901	23,585
Moruga West	--	1,497	--
Pointe Ligoure	--	6,555	--
South East Coast Consortium	--	137,180	--
South West Peninsula	--	295	--
Parrylands 'E' Block	--	1,540	--
Teak, Samaan, Poui (TSP)	31,864	--	27,263
Block 1a	--	66	--
Block 1b	--	41	--
Block 22	--	187	--
Mayaro/Guayaguayare Block	--	--	--
Galeota	1,411	--	--

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related Party Transactions (continued)

Name of Company/Equity	Year ended September 30, 2010			
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	3,519,122	--	--
- Other	--	282,358	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,400	--	4,957,331	9,491
The National Gas Company of Trinidad and Tobago Limited	183,410	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	8,269	--
<u>Joint Ventures</u>	Operating expenses	Capital expenditure	Goods	Services
	\$	\$	\$	\$
Block 9 – Offshore	42,359	194,092	475,279	--
Central Farm out Block	28,326	29,601	203,593	--
Moruga West	1,965	--	11,518	--
Pointe Ligoure	1,206	--	15,597	--
South East Coast Consortium	17,304	27,725	388,117	--
South West Peninsula	(28)	(756)	584	--
Parrylands 'E' Block	960	--	3,090	--
Eastern Block	--	--	--	--
Teak, Samaan, Poui (TSP)	84,183	17,249	398,664	--
Block 1a/1b	--	4,489	--	--
Block 2a/b	--	(2,300)	--	--
Block 22	--	1,146	--	--
Block 3A	--	84	--	--
Mayaro/Guayaguayare Block	--	--	--	--
Galeota	17	--	45,698	--

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related Party Transactions (continued)

Name of Company/Equity	As at September 30, 2009		
	Gross receivables \$	Payables \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)			
-Taxes and other Government take	--	973,088	--
-Other	15,929	195,124	--
<u>Entities under common control</u>			
Trinidad and Tobago National Petroleum Marketing Company Limited	1,904,951	2,997	--
The National Gas Company of Trinidad and Tobago Limited	6,717	48,463	--
<u>Jointly controlled entities</u>			
World GTL Trinidad Limited	779,114	--	748,403
Point Fortin LNG Exports Limited	5,495	--	--
<u>Jointly controlled operations</u>			
Block 9 -- Offshore	41,819	1,715	55,408
Brighton Marine – Sub-Area A	872	5,330	--
Central Farm out Block	9,454	43,250	7,987
Moruga West	--	2,291	--
Pointe Ligoure	83	1,642	--
South East Coast Consortium	32,199	84,418	--
South West Peninsula	--	1,103	--
Parrylands 'E' Block	--	672	--
Teak, Samaan, Poui (TSP)	33,296	17,934	2,756
Block 1a	--	1,454	--
Block 1b	--	201	--
Block 2a/b	--	2,300	--
Block 3a	2,654	--	--
Block 22	--	77	--
Mayaro/Guayaguayare Block	--	2,561	--
Galeota	1,136	--	--

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related Party Transactions (continued)

Year ended September 30, 2009

Name of Company/Equity	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	2,363,580	--	--
- Other	--	222,983	--	--
<u>Entities under common control</u>				
Trinidad and Tobago National Petroleum Marketing Company Limited	11,781	--	3,625,169	5,712
The National Gas Company of Trinidad and Tobago Limited	142,114	--	--	--
<u>Jointly controlled entities</u>				
World GTL Trinidad Limited	--	--	29,592	--
<u>Joint Ventures</u>				
	Operating expenses \$	Capital expenditure \$	Goods \$	Services \$
Block 9 – Offshore	38,405	210,413	483,970	--
Central Farm out Block	27,807	13,526	110,317	--
Moruga West	1,885	622	8,894	--
Pointe Ligoure	1,411	160	11,357	--
South East Coast Consortium	14,754	1,212	42,083	--
South West Peninsula	544	--	415	--
Parrylands 'E' Block	733	--	2,425	--
Eastern Block	--	--	--	--
Teak, Samaan, Poui (TSP)	92,454	17,363	325,866	--
Block 1a/1b	--	9,331	--	--
Block 2a/b	--	2,300	--	--
Block 22	--	6,120	--	--
Block 3A	--	695	--	--
Mayaro/Guayaguayare Block	--	2,300	--	--
Galeota	481	--	16,087	--

Petroleum Company of Trinidad and Tobago Limited

September 30, 2010

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

36 Related Party Transactions (continued)

Compensation of key directors and management personnel:

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

	Year ended September 30	
	2010	2009
Short-term employees benefits	\$ 6,124	\$ 7,658
Long-term employees benefits	<u>695</u>	<u>1,070</u>
	<u>\$ 6,819</u>	<u>\$ 8,728</u>

37 Interest In Jointly Controlled Assets

The Company has a shared control in the following ventures:

	As at September 30	
	2010	2009
	Effective	Effective
	Interest	Interest
Block 9 – Offshore	19.50%	19.50%
Block 27 – Offshore	5.00%	5.00%
Brighton Marine – Sub-Area A	35.00%	35.00%
Central Farmout Block	35.00%	35.00%
East Brighton Farmout Block	30.00%	30.00%
Gulf of Paria East	50.00%	50.00%
Moruga West	40.00%	40.00%
Pointe Ligoure	50.00%	50.00%
South East Coast Consortium	16.00%	16.00%
South West Peninsula	27.50%	27.50%
Parrylands ‘E’ Block	25.00%	25.00%
Eastern Block	35.00%	35.00%
Teak, Samaan, Poui (TSP)	15.00%	15.00%
Block 1a / 1b	20.00%	20.00%
Block 22	10.00%	10.00%
Block 3A	15.00%	15.00%
Galeota	35.00%	35.00%
Guayaguayare Shallow	35.00%	35.00%
Guayaguayare Deep	20.00%	20.00%
Central Range Deep	20.00%	20.00%
Central Range Shallow	35.00%	35.00%
Block 2ab	35.00%	35.00%

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

Petroleum Company of Trinidad and Tobago Limited

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

37 Interest In Jointly Controlled Assets (continued)

The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of these jointly controlled operations and are included in the Group's statement of financial position and comprehensive income.

	As at September 30	
	2010	2009
Assets		
Property, plant and equipment	\$ 2,146,935	\$ 2,078,670
Other long-term assets	1	1
Current assets	<u>103,867</u>	<u>129,691</u>
	2,250,803	2,208,362
Liabilities		
Trade and other payables	<u>(220,193)</u>	<u>(172,136)</u>
	<u>2,030,610</u>	<u>2,036,226</u>
Revenue	<u>1,542,141</u>	<u>1,156,272</u>
Profit before tax	656,586	398,628
Tax	<u>(374,591)</u>	<u>(229,439)</u>
Profit for the year	<u>\$ 281,995</u>	<u>\$ 169,189</u>

Capital commitments for the various joint ventures are \$83,418 (2009: \$815,554). 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 has been included as work has temporarily ceased. These commitments related solely to expenditure for which vendors have been contracted.

The average number of employees in the joint ventures in 2010 was *123 (2009: *123).

** Number of employees quoted above are not in thousands.*

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

38 Cash Generated From Operations

Reconciliation of profit before tax to cash generated from operations:

	Note	As at September 30	
		2010	2009 Restated
Operating Activities			
Profit/(loss) before tax from continuing operations		\$ 774,690	\$ (895,753)
Profit before tax from discontinued operations	20	<u> --</u>	<u> 68,032</u>
		\$ 774,690	\$ (827,721)
Adjustments for:			
Amortisation of intangible assets	7	709,441	412,399
Utilisation of decommissioning provision	23	(21,264)	(18,461)
Depreciation	6	357,990	350,912
Impairment losses related to investments		1,119,474	813,160
Reversal of previous impairment losses		(939)	--
Foreign currency translation (gain)/loss		(19,907)	16,783
Finance costs	31	238,634	371,456
Finance income	31	(4,574)	(24,741)
Gain on disposal of asset held for sale	20	--	(77,599)
Loss/(gain) on disposal of property, plant and equipment and intangible assets	28	630	(888)
Share of loss of jointly controlled entity		--	536,135
Interest income on loan receivable	28	(107,067)	(47,033)
Write-down on available-for-sale financial instruments		--	--
Pension expense/(income)	10	205,100	(73,900)
Post-employment medical charges	10	189,000	198,900
Taxes other than income taxes		1,859,200	1,342,294
Pension contributions paid	10	(127,300)	(122,000)
Post-employment medical benefits paid	10	(76,400)	(61,600)
Changes in working capital:			
(Increase)/Decrease in Accounts receivable		(1,285,805)	1,707,413
(Increase)/Decrease in Inventories		(792,517)	555,574
Increase/(Decrease) in Other liabilities		<u> 333,518</u>	<u> (837,309)</u>
Cash Generated From Operations		<u>\$ 3,351,904</u>	<u>\$ 4,213,774</u>

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

Net book value (Notes 6 and 7)	\$ 817	\$ (850)
(Loss)/Gain on disposals (Note 28)	<u> (630)</u>	<u> 888</u>
Proceeds from sales	<u><u> 187</u></u>	<u><u> 38</u></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)

39 Subsequent Events

(a) Merger of Petrotrin Pension Plans

The Petrotrin Pension Bill was passed in the House of Representatives on October 8, 2010 and then in the Senate on November 16, 2010. The President of the Republic of Trinidad and Tobago assented to the Bill on December 13, 2010. This resulted in seven (7) of the existing plans (Pension Fund A, Pension Fund B, Trinmar Employees' Benefit Plan, Staff Retirement Plan, Non-Contributory Pension Fund, Employees' Pension Plan, and Employees' Benefit Plan) being merged to form the Petrotrin Employees' Pension Plan (See Note 10).

(b) Contingent Liabilities - Letter of credit

The Group has a credit facility that was established to meet its 15% share of abandonment liability with respect to its TSP Joint Venture. Effective January 1, 2011, this facility increased to \$129,561 (US\$20,504).

(c) Loans receivable from World GTL Inc.

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

On February 23, 2010, the WGTL Parties filed a complaint against Petrotrin in the US District Court for the Southern District of New York (SDNY) (the 'WGTL Lawsuit'). The complaint arises out of the GTL Project and alleges fraud, negligent misrepresentation, breach of contract, unjust enrichment, negligence and expropriation, and seeks damages of at least US\$2.0 billion (TT\$12.7 billion). On June 8, 2010, Petrotrin filed a motion to compel arbitration of all claims asserted by WGTL Parties in the WGTL Lawsuit and to stay this lawsuit. On August 11, 2010, Judge Lawrence McKenna of the SDNY granted Petrotrin's motion and issued an order staying the WGTL Lawsuit and compelling the WGTL Parties to bring any such claims before the London Court of International Arbitration. On August 25, 2010, the WGTL Parties filed a motion for reconsideration of Judge McKenna's August 11, 2010 order. Judge McKenna denied the motion for reconsideration on October 22, 2010.

On February 24, 2010, Petrotrin commenced arbitration against World GTL Inc. and its subsidiary World GTL of St. Lucia Limited (together, WGTL Parties) in the International Court of Arbitration of the International Chamber of Commerce (the "ICC") seeking an adjustment of Petrotrin's equity interest in WGTL TL as required by the Guarantee Contribution Agreement, as well as damages. The WGTL Parties have not asserted any counterclaims against Petrotrin or challenged the jurisdiction of the arbitral court. The arbitral tribunal has been appointed, and both the terms of reference and the procedural timetable for the arbitration have been agreed. On March 16, 2011, Petrotrin submitted its particularised Statement of Claim to the ICC. At this stage it is not possible to assess the likelihood of success on the merits.

On September 8, 2010, the WGTL Parties also filed a notice of their intent to appeal Judge McKenna's August 11, 2010 order to the United States Court of Appeals for the Second Circuit. On October 26, 2010, the WGTL Parties' withdrew their appeal without prejudice.

Petrotrin intends to continue to vigorously defend against these claims. Although Petrotrin believes there is no basis for the allegations made in the complaint, at this stage it is not possible to assess the likelihood of success on the merits.

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Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

39 Subsequent Events (continued)

(d) Sale of assets of WGTTL Trinidad Limited

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

On February 1, 2011, the Receiver published a notice (the "Notice") in local and foreign newspapers advertising the sale of an unfinished gas-to-liquids ("GTL") plant and other assets of WGTTL Trinidad. The Notice states that the GTL plant "is now in the completion phase with significant construction completed" and that the GTL plant and other related assets are being sold "on an as is where is basis" (emphasis in original), with the purchaser being responsible for the payment of all outstanding rates and taxes. The sale is also contingent upon the purchaser obtaining certification from the Trinidad and Tobago Ministry of Energy. The Notice further states that "the Receiver is under no obligation to accept any of the offers received."

Expressions of interest were received from several companies, both local and international. The Receiver has sent Teaser documents to the interested parties and is now in the process of finalizing the Non Disclosure agreements. The deadline for completion of this exercise is July 31, 2011 after which due diligence by the parties will be completed. The proceeds of the asset sale will be used to repay WGTTL Trinidad's current indebtedness to Petrotrin.