

**Petroleum Company of Trinidad and Tobago Limited**

**Consolidated Financial Statements**

**September 30 2007**

**(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

### **Report on the parent and consolidated financial statements**

We have audited the accompanying parent and consolidated financial statements of Petroleum Company of Trinidad and Tobago Limited (the Company) and its subsidiaries (together, the Group) which comprise the consolidated balance sheet as of September 30, 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

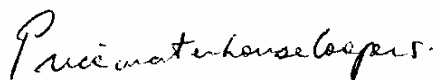
Our responsibility is to express an opinion on the parent and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 control 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 control. 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 accompanying parent and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as of September 30, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers  
Port of Spain,  
Trinidad, West Indies  
February 29, 2008

**Petroleum Company of Trinidad and Tobago Limited**  
**Consolidated Balance Sheet**  
(Presented in Thousands of Trinidad and Tobago dollars)

Parent			Consolidated	
As at September 30			As at September 30	
2006	2007	Note	2007	2006
Restated				Restated
<b>ASSETS:</b>				
<b>Non-current assets</b>				
\$ 4,345,697	\$ 6,156,377	5	\$ 6,157,199	\$ 4,349,920
4,619,905	5,775,323	6	5,775,993	4,644,421
1,379,900	1,421,800	8	1,421,800	1,379,900
108,342	112,567	9	112,567	108,342
4,731	4,760	10	4,760	4,731
2,226	2,225	11	--	--
62,793	82,863	12	82,863	62,793
1,210,630	1,398,206	13	1,398,814	1,212,890
1,108,422	836,325	14	836,502	1,108,599
<u>12,842,646</u>	<u>15,790,446</u>		<u>15,790,498</u>	<u>12,871,596</u>
<b>Current assets</b>				
2,065,613	2,675,558	15	2,675,765	2,065,949
5,040	71,607	16	71,607	5,040
1,836,363	2,929,698	17	2,933,334	1,851,553
1,879,035	4,040,387	18	4,109,761	1,944,361
5,786,051	9,717,250	18	9,790,467	5,866,903
--	--	19	9,466	--
<u>5,786,051</u>	<u>9,717,250</u>		<u>9,799,933</u>	<u>5,866,903</u>
<u>\$ 18,628,697</u>	<u>\$ 25,507,696</u>		<u>\$ 25,590,431</u>	<u>\$ 18,738,499</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
\$ 2,272,274	\$ 2,272,274	20	\$ 2,272,274	\$ 2,272,274
4,990,482	6,220,267		6,208,496	4,927,024
28,636	(25,748)		(43,253)	11,463
7,291,392	8,466,793		8,437,517	7,210,761
--	--		(85,650)	(97,773)
<u>7,291,392</u>	<u>8,466,793</u>		<u>8,351,867</u>	<u>7,112,988</u>
<b>Minority interest in equity</b>				
<b>Total equity</b>				
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
718,677	5,362,345	21	5,440,197	796,068
2,892,134	3,281,851	13	3,280,719	2,892,408
855,000	908,100	8	908,100	855,000
3,123,887	3,686,212	22	3,695,468	3,224,052
<u>7,589,698</u>	<u>13,238,508</u>		<u>13,324,484</u>	<u>7,767,528</u>
<b>Current liabilities</b>				
2,095,970	2,622,430	23	2,614,942	2,094,125
482,719	1,023,569		1,105,720	594,940
107,697	96,151	21	96,151	107,697
1,061,221	60,245	24	60,245	1,061,221
3,747,607	3,802,395		3,877,058	3,857,983
--	--	19	37,022	--
<u>3,747,607</u>	<u>3,802,395</u>		<u>3,914,080</u>	<u>3,857,983</u>
<u>11,337,305</u>	<u>17,040,903</u>		<u>17,238,564</u>	<u>11,625,511</u>
<u>\$ 18,628,697</u>	<u>\$ 25,507,696</u>		<u>\$ 25,590,431</u>	<u>\$ 18,738,499</u>

The notes on pages 7 to 82 are an integral part of these consolidated financial statements.

On February 28, 2008 these consolidated financial statements of Petroleum Company of Trinidad and Tobago Limited were authorised for issue.

  
Director

  
Director

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

<b>Parent</b>				<b>Consolidated</b>	
<b>Year ended</b>				<b>Year ended</b>	
<b>September 30</b>				<b>September 30</b>	
<b>2006</b>	<b>2007</b>		<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>Continuing operations:</b>			
<b>Restated</b>					<b>Restated</b>
\$ 25,826,720	\$ 26,477,926	Revenue	25	\$ 26,440,667	\$ 25,788,950
<u>(22,085,675)</u>	<u>(22,451,098)</u>	Cost of sales		<u>(22,414,000)</u>	<u>(22,048,958)</u>
<b>3,741,045</b>	<b>4,026,828</b>	<b>Gross profit</b>		<b>4,026,667</b>	<b>3,739,992</b>
(692,901)	(781,805)	Administrative expenses		(782,997)	(693,187)
(108,430)	(106,914)	Marketing expenses		(106,914)	(108,430)
(37,730)	(105,814)	Other operating expenses		(103,068)	(37,542)
<u>244,857</u>	<u>123,632</u>	Other operating income	26	<u>136,583</u>	<u>213,991</u>
<b>3,146,841</b>	<b>3,155,927</b>	<b>Operating profit</b>	<b>27</b>	<b>3,170,271</b>	<b>3,114,824</b>
53,274	85,362	Finance income	29	88,310	55,908
<u>(334,314)</u>	<u>(346,779)</u>	Finance costs	29	<u>(348,149)</u>	<u>(335,692)</u>
<u>(281,040)</u>	<u>(261,417)</u>	Finance costs - net	29	<u>(259,839)</u>	<u>(279,784)</u>
--	(40,105)	Share of loss of jointly controlled entity		(40,105)	--
<b>2,865,801</b>	<b>2,854,405</b>	<b>Profit before tax</b>		<b>2,870,327</b>	<b>2,835,040</b>
<u>(1,522,833)</u>	<u>(1,624,620)</u>	Tax	30	<u>(1,632,523)</u>	<u>(1,530,332)</u>
1,342,968	1,229,785	Profit for the year from continuing operations		1,237,804	1,304,708
		<b>Discontinued operations:</b>			
--	--	Profit for the year from discontinued operations	19	<u>56,137</u>	<u>11,296</u>
<b>\$ 1,342,968</b>	<b>\$ 1,229,785</b>	<b>Profit for the year</b>		<b>\$ 1,293,941</b>	<b>\$ 1,316,004</b>
		<b>Attributable to:</b>			
1,342,968	1,229,785	Equity holders of the Company		1,281,472	1,312,761
--	--	Minority interest		<u>12,469</u>	<u>3,243</u>
<b>\$ 1,342,968</b>	<b>\$ 1,229,785</b>			<b>\$ 1,293,941</b>	<b>\$ 1,316,004</b>

The notes on pages 7 to 82 are an integral part of these consolidated financial statements.

**Petroleum Company of Trinidad and Tobago Limited**  
**Consolidated Statement of Changes in Equity**  
**(Presented in Thousands of Trinidad and Tobago dollars)**

	Attributable to equity holders of the Company				Minority interest	Total equity
	Share capital	Investment revaluation reserves	Retained earnings	Total		
Parent	\$	\$	\$	\$	\$	\$
<b>Balance at October 1, 2006 (before restatements)</b>	2,272,274	(7)	5,138,050	7,410,317	--	7,410,317
Restatements: (Note 2.2)						
Post-employment medical benefits	--	--	(251,200)	(251,200)	--	(251,200)
Deferred tax on post-employment medical benefits	--	--	132,275	132,275	--	132,275
<b>Balance at October 1, 2006 (after restatements)</b>	2,272,274	(7)	5,019,125	7,291,392	--	7,291,392
Profit for the year	--	--	1,229,785	1,229,785	--	1,229,785
Currency translation differences	--	(29)	(54,355)	(54,384)	--	(54,384)
<b>Balance at September 30, 2007</b>	2,272,274	(36)	6,194,555	8,466,793	--	8,466,793
<b>Balance at October 1, 2005 (before restatements)</b>	2,272,274	--	3,779,273	6,051,547	--	6,051,547
Restatements: (Note 2.2)						
Post-employment medical benefits	--	--	(257,500)	(257,500)	--	(257,500)
Deferred tax on post-employment medical benefits	--	--	136,475	136,475	--	136,475
<b>Balance at October 1, 2005 (after restatements)</b>	2,272,274	--	3,658,248	5,930,522	--	5,930,522
Profit for the year	--	--	1,342,968	1,342,968	--	1,342,968
Currency translation differences	--	(7)	17,909	17,902	--	17,902
<b>Balance at September 30, 2006 (restated)</b>	2,272,274	(7)	5,019,125	7,291,392	--	7,291,392

The notes on pages 7 to 82 are an integral part of these consolidated financial statements.

**Petroleum Company of Trinidad and Tobago Limited**  
**Consolidated Statement of Changes in Equity (continued)**  
**(Presented in Thousands of Trinidad and Tobago dollars)**

	Attributable to equity holders of the Company				Minority interest	Total equity
	Share capital	Investment revaluation reserves	Retained earnings	Total		
	\$	\$	\$	\$		
<b>Consolidated</b>						
<b>Balance at October 1, 2006 (before restatements)</b>	2,272,274	(7)	5,057,419	7,329,686	(97,773)	7,231,913
Restatements: (Note 2.2)						
Post-employment medical benefits	--	--	(251,200)	(251,200)	--	(251,200)
Deferred tax on post-employment medical benefits	--	--	132,275	132,275	--	132,275
<b>Balance at October 1, 2006 (after restatements)</b>	2,272,274	(7)	4,938,494	7,210,761	(97,773)	7,112,988
Profit for the year from continuing operations	--	--	1,236,562	1,236,562	1,242	1,237,804
Profit for the year from discontinued operations	--	--	44,910	44,910	11,227	56,137
Currency translation differences	--	(29)	(54,687)	(54,716)	(346)	(55,062)
<b>Balance at September 30, 2007</b>	2,272,274	(36)	6,165,279	8,437,517	(85,650)	8,351,867
<b>Balance at October 1, 2005 (before restatements)</b>	2,272,274	--	3,732,903	6,005,177	(101,226)	5,903,951
Restatements: (Note 2.2)						
Post-employment medical benefits	--	--	(257,500)	(257,500)	--	(257,500)
Deferred tax on post-employment medical benefits	--	--	136,475	136,475	--	136,475
<b>Balance at October 1, 2005 (after restatements)</b>	2,272,274	--	3,611,878	5,884,152	(101,226)	5,782,926
Profit for the year from continuing operations	--	--	1,303,724	1,303,724	984	1,304,708
Profit for the year from discontinued operations	--	--	9,037	9,037	2,259	11,296
Currency translation differences	--	(7)	13,855	13,848	210	14,058
<b>Balance at September 30, 2006 (restated)</b>	2,272,274	(7)	4,938,494	7,210,761	(97,773)	7,112,988

The notes on pages 7 to 82 are an integral part of these consolidated financial statements.



# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

## Notes to the Consolidated Financial Statements

(Presented in Thousands of Trinidad and Tobago dollars)

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### 1 General information

Petroleum Company of Trinidad and Tobago Limited (PETROTRIN) is incorporated in the Republic of Trinidad and Tobago and is 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.

Pursuant to the authority delegated by the Board of Directors of Petroleum Company of Trinidad and Tobago Limited at its meeting of January 30, 2008, the Finance and Tenders Committee and the Audit Committee, at a joint meeting held on February 28, 2008 approved these consolidated financial statements for the year ended September 30, 2007 for issue.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements are prepared on the basis of historical cost convention, except for investments available for sale, which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

##### *(a) Amendments and interpretation to published standards adopted in the current year*

The Group adopted the following amendments and interpretation to the published standards in the current year:

- IAS 19 (Amendment) Employee Benefits (effective January 1, 2006). This amendment introduced the option of an alternative recognition approach for actuarial gains and losses. It imposed additional recognition requirements for multi-employer plans where insufficient information was available to apply defined benefit accounting. It also introduced new disclosure requirements. This amendment did not result in any significant change in the Group's accounting policies since the Group did not change its' accounting policies for the recognition of actuarial gains and losses and does not participate in any multi-employer plans.
- IAS 21 (Amendment), Net investment in Foreign Operation (effective January 1, 2006). This amendment related to the Group's net investment in a foreign operation. In particular, it provided guidance on the treatment of exchange differences arising on the translation of monetary items included in the Group's net investment in a foreign operation. This amendment did not result in any change in the Group's accounting policies as the Group does not have any investment in foreign operations at this time.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

## Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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### 2.1 Basis of preparation (continued)

#### *(a) Amendments and interpretation to published standards adopted in the current year (continued)*

- IAS 39 (Amendment), The Fair Value Option (effective January 1, 2006). This amendment changed the definition of financial instruments classified at fair value through profit or loss and restricted the ability to designate financial instruments as part of this category. This amendment did not result in any change to the Group's accounting policies as they did not hold any financial instruments designated in this caption.
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective January 1, 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. This amendment did not result in any significant change in the Group's accounting policies.
- IFRIC 4, Determining whether an arrangement contains a lease (effective January 1, 2006). IFRIC 4 required the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It required an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. This interpretation did not result in any significant change to the Group's accounting policies.
- IFRIC 5, Rights to interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective January 1, 2006). This interpretation addressed: (a) how a contributor can account for its interest in a fund; and (b) in the event that a contributor has an obligation to make additional contributions, the accounting treatment of such obligation. This did not result in any significant change to the Group's accounting policies.

#### *(b) Standards early adopted by the Group*

- IAS 23 (Amendment), Borrowing costs (effective January 1, 2009). This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group's accounting policy for borrowing costs has been to capitalise costs associated with the acquisition, construction or production of such qualifying assets.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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## 2.1 Basis of preparation (continued)

(c) *Amendments and interpretations applicable in the current year but not relevant to the Group's operations*

The following amendments and interpretations are mandatory for accounting periods beginning on or after December 1, 2005 but are not relevant to the Group's operations:

- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions (effective January 1, 2006).
- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards (effective January 1, 2006).
- IFRIC 6, Liabilities arising from participating in specific market-waste electrical and electronic equipment (effective December 1, 2005).
- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies (effective March 1, 2006).
- IFRIC 8, Scope of IFRS 2, (effective May 1, 2006).
- IFRIC 9, Re-assessment of embedded derivatives (effective June 1, 2006).

(d) *Standards issued and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:*

The following new standards, amendments and interpretations to existing standards that have been published are mandatory for all companies with accounting periods beginning on or after November 1, 2006:

- IFRS 7, 'Financial instruments: Disclosures' and the complementary amendment to IAS 1, 'Presentation of Financial Statements –Capital disclosures' (effective January 1, 2007).
- IFRS 8, Operating Segments (effective January 1, 2009).
- IFRIC 10, 'Interim financial reporting and impairment', (effective November 1, 2006).
- IFRIC 14, 'IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective January 1, 2008).

Management is currently assessing the impact of the above standards.

(e) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations:*

The following interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on or after November 1, 2006 or later periods but are not relevant for the Group's operations:

- IFRIC 11, 'IFRS 2-Group and Treasury Share Transactions', (effective March 1, 2007).
- IFRIC 12, Service Concession Agreements (effective January 1, 2008).
- IFRIC 13, Customer Loyalty Programmes (effective July 1, 2008).

# **Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

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## **2.2 Restatement of prior year balances**

### **i. Investment in jointly controlled entity**

In accordance with IAS31 (revised 2003) -Interest in Joint Ventures, the Group's investment in World GTL Trinidad Limited is accounted for using the equity method of accounting, as it gives a fairer presentation of the Company's interest in its jointly controlled entity. Prior to October 1, 2006 this was accounted for using proportionate consolidation. This change has been applied retrospectively (Note 12).

### **ii. Reclassification of income and expenses**

For the year ended September 30, 2007 the following changes in classification were made, and the related comparative information for financial year 2006 have been reclassified accordingly:

- Salaries and Wages and other operating expenses of the Refining division have been reclassified from Administrative and Other operating expenses to Cost of Sales.
- Green Fund Levy has also been reclassified from Other Operating expenses to Cost of Sales.

These changes had no effect on the operating results of the Group for the previous year (Note 27).

### **iii. Retirement benefit obligation – medical expenses**

The Company's retirement benefit obligation-medical expenses were understated for the years 2005 and 2006 due to omissions in the retirees prescription costs data submitted for actuarial valuation of the obligation for those years. Accordingly, in accordance with IAS 8, retained earnings as at September 30, 2005 and 2006 have been restated. These restatements were included on the Consolidated Statement of Changes in Equity.

### **iv. Deferred income tax assets**

The Company's retirement benefit obligation-medical expenses were understated for the years 2005 and 2006 due to omissions in the retirees prescription costs data submitted for actuarial valuation of the obligation for those years. Accordingly, in accordance with IAS 8, retained earnings as at September 30, 2005 and 2006 have been restated. These restatements were included on the Consolidated Statement of Changes in Equity.

## **2.3 Consolidation**

### **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.

**2.3 Consolidation (continued)**

**a) Subsidiaries (continued)**

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any 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 the income statement. (See Note 2.6 (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 with the policies adopted by the Group.

**b) Joint ventures**

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 operations, 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 may require unanimous agreement.

The Group's interests in jointly controlled operations are accounted for by proportionate consolidation. The Group combines its share of the 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.

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).

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## **2.3 Consolidation (continued)**

### **b) Joint ventures (continued)**

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 balance sheet 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. The Group income statement reflects the Group's share of the results after tax of the jointly controlled entity.

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

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

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

### **c) Transactions with minority interests**

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases of minority 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.

## **2.4 Foreign currency translation**

### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The United States dollar is the Group's entities functional currency. The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's presentation currency. This is because its main stakeholders are the Government of Trinidad and Tobago, the Ministry of Finance, its employees and also the majority of the operating activities are transacted in TTD.

### **(b) 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 the income statement.

**2.4 Foreign currency translation (continued)**

**(b) Transactions and balances (continued)**

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

**(c) Group companies**

The financial position and results of all the Group entities (none of which has the currency of a hyperinflationary economy) that have functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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.

**2.5 Property, plant and equipment and certain intangible assets**

**(a) Oil and Gas Assets**

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

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

**2.5 Property, plant and equipment and certain intangible assets (continued)**

**(a) Oil and Gas Assets (continued)**

**Exploration and Evaluation Assets – Capitalisation**

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

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 upon determination of commercially viable mineral reserves. If commercial viability is not obtained these costs are written off.

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

**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.

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 net fair value basis.

**2.5 Property, plant and equipment and certain intangible assets (continued)**

**(a) Oil and Gas Assets (continued)**

**Development tangible and intangible assets- Capitalisation (continued)**

**Acquisitions, asset purchases and disposals (continued)**

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

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.

**Development 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 of the asset, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash generating unit applied for impairment test 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 interdependent. This grouping of field interests is the same as that used for reserves reporting purposes.

**Production Assets - Depreciation**

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

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

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## 2.5 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 the income statement 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.

### (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 other than major overhaul costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other non-oil and gas assets is calculated using the following rates and methods to allocate 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%	- on declining balance
Transportation equipment	20%	- on declining balance
Furniture and fixtures	20%	- on declining balance
Buildings	5%	- on declining 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 declining balance for subsequent years

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## 2.5 Property, plant and equipment and certain intangible assets (continued)

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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 the income statement.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

### (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 the period to the next testing and inspection as follows:

Major overhaul costs	3 - 5 years	- straight-line
Catalyst costs	4 years	- straight-line

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

## 2.6 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 is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. 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.

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## **2.6 Intangible assets (continued)**

### **(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 developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and any directly related costs.

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 2.5 (a).

## **2.7 Impairment of non-financial assets**

Assets that have an indefinite useful life and assets under development, for example land under development, are not subject to amortisation and 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 flows (cash generating units).

## **2.8 Financial assets**

The Group classifies its financial assets in the following categories: loans and receivables, investments- available for sale and, investments- held to maturity. 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 balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

**2.8 Financial assets (continued)**

**(b) Investments- held to maturity**

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's Management has the positive intention and ability to hold to maturity. They are included in non-current assets, except for those with maturities less than twelve months from the balance sheet date, which are classified as current assets. At each balance sheet date, the Group assesses whether there is any objective evidence that these investments are impaired. Events, such as significant financial difficulty of the issuer and default or delinquency in interest or principal payments, are used to assess whether there is an impairment loss. The amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the investments' original effective interest rate. The amount of the loss is recognised in the income statement.

**(c) Available for sale financial assets**

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the balance sheet date.

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 subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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 balance sheet 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 the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.10.

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## **2.9 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 third party crude).

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 amount 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, less provision for obsolescence and deterioration 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.

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## **2.10 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 90 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 the income statement within marketing expenses. 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 selling and marketing costs in the income statement.

## **2.11 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.

## **2.12 Non-current assets held-for-sale (or disposal group) and discontinued operations**

Non current assets (or disposal group) are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

## **2.13 Share capital**

Ordinary shares are classified as equity.

## **2.14 Minority interest**

Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. A minority interest consists of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interest in the subsidiaries equity are allocated against the interest of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

## **2.15 Trade and other payables**

Trade and other payables are recognised initially at cost.

**2.16 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 in the income statement over the period of the borrowings using the effective interest method.

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 balance sheet date.

***Borrowing Costs***

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

**2.17 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 balance sheet 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 the consolidated 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 determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet 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, associates 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.

**2.18 Employee benefits**

**(a) Pension obligations**

Retirement benefits for employees are provided through eight 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.

**2.18 Employee benefits (continued)**

**(a) Pension obligations (continued)**

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation 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 income over the employees' expected average remaining working lives.

Past service costs are recognised immediately in income, 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. 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 income 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.

**2.19 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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## **2.20 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) Refined products sales**

Revenues from sales of products and services rendered are recognised upon transfer of risks and advantages associated with the property or upon settlement of the transaction. In particular, revenues are recognised:

- for crude oil, generally upon shipment;
- for natural gas, 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.

### **(d) Marine income and processing fees**

Marine income and processing fees are recognised upon delivery of services and customer acceptance.

# **Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

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## **2.20 Revenue recognition (continued)**

### **(e) Own use credits**

It is the Company's policy to use its own produced gas and refined products in its operations as required. Natural gas produced in the Exploration and Production operations is used for gas lifting operations, and amounts in excess of its requirement is used in the Refining and Marketing division.

## **2.21 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 the income statement on a straight-line basis over the period of the lease.

## **2.22 Dividend distribution**

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

## **3 Financial risk management**

### **3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest risk, cash flow interest rate risk and price risk), credit risk and, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not at this time use derivative financial instruments to hedge its risk exposures.

#### **(a) Commodity Price risk**

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

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

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

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

# **Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

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## **3.1 Financial risk factors (continued)**

### **(b) Credit risk**

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.

### **(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by keeping committed credit lines available.

### **(d) Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

## **3.2 Capital risk management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure 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 end September 30, 2007 and September 30, 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents. Capital includes equity attributable to equity attributable to the equity holders of the parent.

**3.3 Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of forward sales contracts is determined using quoted forward rates at the balance sheet date. Where there is no independent data for input into valuation models, such financial instruments are reflected at cost less impairment.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**4 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 balance sheet 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) Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6 (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 6.

**4 Critical accounting estimates and judgments (continued)**

**(b) 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.

**(c) Oil and gas reserves**

The oil and gas reserves are estimated by outside engineers in accordance with the standards pertaining to the Estimating of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

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

Although there are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as proved, the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation; the accuracy of assumptions and judgment. Results of drilling, testing and production after the date of the estimate may require substantial upward and downward revision. In addition changes in oil and natural gas prices could have an effect on the value of proved reserves as regards the initial estimate and, in the case of Production Sharing Agreements and buy-back contracts, on the relevant production and reserves. 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 and depletion 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, depletion 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 is to be carried out or not. The larger the volumes of estimated reserves, the less likely the property is impaired.

**4 Critical accounting estimates and judgments (continued)**

**(d) Impairment of assets**

Fixed assets and intangible assets are written down whenever events and changes in circumstances indicate that the carrying amount may not be recoverable.

The amount of an impairment charge is determined by comparing the book value of an asset with its recoverable amount. The recoverable amount is the greater of fair value, net of disposal costs and value in use, net of disposal costs. The estimated fair value usually is based on the present values of expected future cash flows using assumptions commensurate with the risks involved in the asset group. The expected future cash flows used for impairment reviews are based on judgmental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate related to the activity involved.

For oil and natural gas properties, the expected future cash flows are estimated based on developed and non-developed proved reserves including, among other elements, production taxes and the costs to be incurred for the reserves yet to be developed.

The estimated future level of production is based on assumptions about future commodity prices, lifting and development costs, field decline rates, market demand and supply, economic regulatory climates and other factors.

**(e) 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 method 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 Company's credit costs.

**4 Critical accounting estimates and judgments (continued)**

**(f) 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. Environmental costs are 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 reserve will be recorded.

**(g) Contingencies**

In addition to accruing the estimated costs for decommissioning and environmental liabilities, Petrotrin accrues for all contingencies that are both probable and estimatable. These other contingencies are primarily related to employee benefits, litigation and tax issues. Determining appropriate amounts for accrual can be a complex process that includes subjective judgments.

**(h) IAS 19 valuation**

The valuation of the company'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 also computed by qualified actuaries using assumptions for discount rate; expected rate of return on plan assets; future salary increases and medical expense inflation rates. Each of these principal actuarial assumptions can and will change in the future. (See Note 8).

**(i) 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.

**(j) Provision for impairment of receivables**

The Group reviews its trade and other receivables to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, 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.

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**5 Property, Plant and Equipment**

**Parent**

	Exploration and Evaluation	Development	Subtotal	Production	Refining and Marketing	Other Businesses and Corporate	Total
	\$	\$	\$	\$	\$	\$	\$
<b>At October 1, 2005</b>							
Cost	629	1,931	2,560	4,468,872	4,052,705	206,716	8,730,853
Accumulated depreciation	--	--	--	(2,632,417)	(2,136,601)	(115,881)	(4,884,899)
Net book amount	629	1,931	2,560	1,836,455	1,916,104	90,835	3,845,954
<b>Year ended September 30, 2006</b>							
Opening net book amount	629	1,931	2,560	1,836,455	1,916,104	90,835	3,845,954
Exchange differences	1	(9)	(8)	(2,544)	(2,896)	(126)	(5,574)
Additions	3,470	71,903	75,373	156,886	593,128	58,191	883,578
Transfers	(3,918)	(73,291)	(77,209)	77,209	--	--	--
Disposals	--	--	--	(109)	(166)	--	(275)
Depreciation charge	--	--	--	(157,861)	(209,702)	(10,423)	(377,986)
Closing net book amount	182	534	716	1,910,036	2,296,468	138,477	4,345,697
<b>At September 30, 2006</b>							
Cost	182	534	716	4,694,117	4,638,998	262,643	9,596,474
Accumulated depreciation	--	--	--	(2,784,081)	(2,342,530)	(124,166)	(5,250,777)
Net book amount	182	534	716	1,910,036	2,296,468	138,477	4,345,697

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 5 Property, Plant and Equipment (continued)

### Parent

	Exploration and Evaluation	Development	Subtotal	Production	Refining and Marketing	Other Businesses and Corporate	Total
	\$	\$	\$	\$	\$	\$	\$
<b>At October 1, 2006</b>							
Cost	182	534	716	4,694,117	4,638,998	262,643	9,596,474
Accumulated depreciation	--	--	--	(2,784,081)	(2,342,530)	(124,166)	(5,250,777)
Net book amount	182	534	716	1,910,036	2,296,468	138,477	4,345,697
<b>Year ended September 30, 2007</b>							
Opening net book amount	182	534	716	1,910,036	2,296,468	138,477	4,345,697
Exchange differences	3	171	174	10,760	15,186	638	26,758
Additions	897	94,630	95,527	153,204	1,854,570	41,667	2,144,968
Transfers	(103)	(46,987)	(47,090)	47,090	--	--	--
Disposals	--	--	--	(88)	(340)	(97)	(525)
Depreciation charge	--	--	--	(124,896)	(226,058)	(9,567)	(360,521)
Closing net book amount	979	48,348	49,327	1,996,106	3,939,826	171,118	6,156,377
<b>At September 30, 2007</b>							
Cost	979	48,348	49,327	4,919,180	6,499,484	305,157	11,773,148
Accumulated depreciation	--	--	--	(2,923,074)	(2,559,658)	(134,039)	(5,616,771)
Net book amount	979	48,348	49,327	1,996,106	3,939,826	171,118	6,156,377

Depreciation expense of \$350,954 (2006: \$367,563) has been charged in cost of sales, while \$9,567 (2006: \$10,423) has been charged in other operating expenses.

Administrative expenses, directly attributable to projects, capitalised during the year totalled \$17,988 (2006: \$6,498). Costs not subject to depreciation calculation totalled \$85,615 (2006: \$144,113).

Included in Refining and Marketing assets is an amount of \$113,177 (2006: \$6,287) in respect of borrowing costs. These are actual borrowing costs incurred on financing for the Gasoline Optimisation Project (Note 21) during the year, less any investment income earned on the temporary investment of these borrowings.

### Assets under construction

	September 30	
	2007	2006
• Production assets	\$ 1,443,753	\$ 581,414
• Refining and Marketing assets	1,988,115	591,375
• Other Businesses and Corporate assets	44,178	13,799

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**5 Property, Plant and Equipment (continued)**

**Consolidated**

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
<b>At October 1, 2005</b>							
Cost	629	1,931	2,560	5,084,494	4,052,705	215,381	9,355,140
Accumulated depreciation	--	--	--	(3,247,941)	(2,136,601)	(120,675)	(5,505,217)
Net book amount	629	1,931	2,560	1,836,553	1,916,104	94,706	3,849,923
<b>Year ended September 30, 2006</b>							
Opening net book amount	629	1,931	2,560	1,836,553	1,916,104	94,706	3,849,923
Exchange differences	1	(9)	(8)	(2,544)	(2,896)	(126)	(5,574)
Additions	3,470	71,903	75,373	157,580	593,128	58,219	884,300
Transfers	(3,918)	(73,291)	(77,209)	77,209	--	--	--
Disposals	--	--	--	(109)	(166)	--	(275)
Depreciation charge	--	--	--	(158,034)	(209,702)	(10,718)	(378,454)
Closing net book amount	182	534	716	1,910,655	2,296,468	142,081	4,349,920
<b>At September 30, 2006</b>							
Cost	182	534	716	5,310,433	4,638,998	271,404	10,221,551
Accumulated depreciation	--	--	--	(3,399,778)	(2,342,530)	(129,323)	(5,871,631)
Net book amount	182	534	716	1,910,655	2,296,468	142,081	4,349,920

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 5 Property, Plant and Equipment (continued)

### Consolidated

	Exploration and Evaluation \$	Development \$	Subtotal \$	Production \$	Refining and Marketing \$	Other Businesses and Corporate \$	Total \$
<b>At October 1, 2006</b>							
Cost	182	534	716	5,310,433	4,638,998	271,341	10,221,488
Accumulated depreciation	--	--	--	(3,399,778)	(2,342,530)	(129,260)	(5,871,568)
Net book amount	182	534	716	1,910,655	2,296,468	142,081	4,349,920
<b>Year ended September 30, 2007</b>							
Opening net book amount	182	534	716	1,910,655	2,296,468	142,081	4,349,920
Exchange differences	3	171	174	10,760	15,186	638	26,758
Additions	897	94,630	95,527	153,454	1,854,570	41,690	2,145,241
Transfers	(103)	(46,987)	(47,090)	47,090	--	--	--
Disposals	--	--	--	(88)	(340)	(101)	(529)
Depreciation charge	--	--	--	(125,076)	(226,058)	(9,737)	(360,871)
	979	48,348	49,327	1,996,795	3,939,826	174,571	6,160,519
Non current assets held-for- sale	--	--	--	(613)	--	(2,707)	(3,320)
Closing net book amount	979	48,348	49,327	1,996,182	3,939,826	171,864	6,157,199
<b>At September 30, 2007</b>							
Cost	979	48,348	49,327	5,042,493	6,499,484	306,999	11,898,303
Accumulated depreciation	--	--	--	(3,046,311)	(2,559,658)	(135,135)	(5,741,104)
Net book amount	979	48,348	49,327	1,996,182	3,939,826	171,864	6,157,199

Depreciation expense of \$351,134 (2006: \$367,736) has been charged to cost of sales while \$9,737 (2006: \$10,718) has been charged to other operating expenses.

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**6 Intangible Assets**

**Parent**

	<b>Exploration and Evaluation</b>	<b>Development</b>	<b>Subtotal</b>	<b>Goodwill</b>	<b>Production</b>	<b>Refining and Marketing</b>	<b>Software Costs</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At October 1, 2005</b>								
Cost	72,322	159,710	232,032	383,744	7,942,991	475,930	92,123	9,126,820
Accumulated amortisation	--	--	--	(133,243)	(4,733,115)	(53,941)	(50,055)	(4,970,354)
Net book amount	72,322	159,710	232,032	250,501	3,209,876	421,989	42,068	4,156,466
<b>Year ended September 30, 2006</b>								
Opening net book amount	72,322	159,710	232,032	250,501	3,209,876	421,989	42,068	4,156,466
Exchange differences	(107)	(265)	(372)	(361)	(4,178)	(531)	(334)	(5,776)
Additions	15,763	381,475	397,238	--	434,138	44,626	28,207	904,209
Transfers	(59,684)	(224,722)	(284,406)	--	284,406	--	--	--
Disposals	--	--	--	--	(8,596)	--	--	(8,596)
Revised decommissioning cost	--	--	--	--	(137,530)	239,188	--	101,658
Amortisation charge	--	--	--	--	(445,285)	(70,352)	(12,419)	(528,056)
Closing net book amount	28,294	316,198	344,492	250,140	3,332,831	634,920	57,522	4,619,905
<b>At September 30, 2006</b>								
Cost	28,294	316,198	344,492	383,191	8,491,028	759,130	119,862	10,097,703
Accumulated amortisation	--	--	--	(133,051)	(5,158,197)	(124,210)	(62,340)	(5,477,798)
Net book amount	28,294	316,198	344,492	250,140	3,332,831	634,920	57,522	4,619,905

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**6 Intangible Assets (continued)**

<b>Parent</b>	<b>Exploration and Evaluation</b>	<b>Development</b>	<b>Subtotal</b>	<b>Goodwill</b>	<b>Production</b>	<b>Refining and Marketing</b>	<b>Software Costs</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At October 1, 2006</b>								
Cost	28,294	316,198	344,492	383,191	8,491,028	759,130	119,862	10,097,703
Accumulated amortisation	--	--	--	(133,051)	(5,158,197)	(124,210)	(62,340)	(5,477,798)
Net book amount	<u>28,294</u>	<u>316,198</u>	<u>344,492</u>	<u>250,140</u>	<u>3,332,831</u>	<u>634,920</u>	<u>57,522</u>	<u>4,619,905</u>
<b>Year ended September 30, 2007</b>								
Opening net book amount	28,294	316,198	344,492	250,140	3,332,831	634,920	57,522	4,619,905
Exchange differences	103	819	922	1,491	20,661	3,662	310	27,046
Additions	38,959	304,140	343,099	--	1,134,756	28,879	3,531	1,510,265
Transfers	(548)	(362,136)	(362,684)	--	362,684	--	--	--
Disposals	(27,089)	--	(27,089)	--	(50)	--	--	(27,139)
Revised decommissioning cost	--	--	--	--	294,861	57,754	--	352,615
Amortisation charge	--	--	--	--	(613,344)	(86,299)	(7,726)	(707,369)
Closing net book amount	<u>39,719</u>	<u>259,021</u>	<u>298,740</u>	<u>251,631</u>	<u>4,532,399</u>	<u>638,916</u>	<u>53,637</u>	<u>5,775,323</u>
<b>At September 30, 2007</b>								
Cost	39,719	259,021	298,740	385,474	10,336,200	850,322	124,106	11,994,842
Accumulated amortisation	--	--	--	(133,843)	(5,803,801)	(211,406)	(70,469)	(6,219,519)
Net book amount	<u>39,719</u>	<u>259,021</u>	<u>298,740</u>	<u>251,631</u>	<u>4,532,399</u>	<u>638,916</u>	<u>53,637</u>	<u>5,775,323</u>

Amortisation expense of \$699,643 (2006: \$515,637) has been charged in cost of sales while \$7,726 (2006: \$12,419) has been charged to other operating expenses.

Included in production assets is an amount of \$397,103 (\$60,459) in respect of assets under construction and a net amortised amount of \$1,208,685 (2006: \$997,221) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to twenty-five (25) years. Included in refining and marketing assets is a net amortised amount of \$559,998 (2006: \$530,161) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to fourteen (14) years.

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**6 Intangible Assets (continued)**

**Consolidated**

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At October 1, 2005</b>								
Cost	72,322	159,710	232,032	383,744	8,059,358	475,930	92,123	9,243,187
Accumulated amortisation	--	--	--	(133,243)	(4,814,062)	(53,941)	(50,055)	(5,051,301)
Net book amount	72,322	159,710	232,032	250,501	3,245,296	421,989	42,068	4,191,886
<b>Year ended 30 September 2006</b>								
Opening net book amount	72,322	159,710	232,032	250,501	3,245,296	421,989	42,068	4,191,886
Exchange differences	(107)	(265)	(372)	(361)	(4,178)	(531)	(334)	(5,776)
Additions	15,763	381,475	397,238	--	434,414	44,626	28,207	904,485
Revised decommissioning cost	--	--	--	--	(141,020)	239,188	--	98,168
Transfers	(59,684)	(224,722)	(284,406)	--	284,406	--	--	--
Disposals	--	--	--	--	(8,596)	--	--	(8,596)
Amortisation charge	--	--	--	--	(452,975)	(70,352)	(12,419)	(535,746)
Closing net book amount	28,294	316,198	344,492	250,140	3,357,347	634,920	57,522	4,644,421
<b>At September 30, 2006</b>								
Cost	28,294	316,198	344,492	383,191	8,604,181	759,130	119,862	10,210,856
Accumulated amortisation	--	--	--	(133,051)	(5,246,834)	(124,210)	(62,340)	(5,566,435)
Net book amount	28,294	316,198	344,492	250,140	3,357,347	634,920	57,522	4,644,421

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 6 Intangible Assets (continued)

### Consolidated

	Exploration and Evaluation	Development	Subtotal	Goodwill	Production	Refining and Marketing	Software Costs	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At October 1, 2006</b>								
Cost	28,294	316,198	344,492	383,191	8,604,181	759,130	119,862	10,210,856
Accumulated amortisation	--	--	--	(133,051)	(5,246,834)	(124,210)	(62,340)	(5,566,435)
Net book amount	28,294	316,198	344,492	250,140	3,357,347	634,920	57,522	4,644,421
<b>Year ended 30 September 2007</b>								
Opening net book amount	28,294	316,198	344,492	250,140	3,357,347	634,920	57,522	4,644,421
Exchange differences	103	819	922	1,491	20,661	3,662	310	27,046
Additions	38,959	304,140	343,099	--	1,134,763	28,879	3,531	1,510,272
Revised decommissioning cost	--	--	--	--	234,375	57,754	--	292,129
Transfers	(548)	(362,136)	(362,684)	--	362,684	--	--	--
Disposals	(27,089)	--	(27,089)	--	(50)	--	--	(27,139)
Amortisation charge	--	--	--	--	(571,396)	(86,299)	(7,726)	(665,421)
	39,719	259,021	298,740	251,631	4,538,384	638,916	53,637	5,781,308
Non current assets held-for-sale	--	--	--	--	(5,315)	--	--	(5,315)
Closing net book amount	39,719	259,021	298,740	251,631	4,533,069	638,916	53,637	5,775,993
<b>At September 30, 2007</b>								
Cost	39,719	259,021	298,740	385,474	10,346,735	850,322	124,106	12,005,377
Accumulated amortisation	--	--	--	(133,843)	(5,813,666)	(211,406)	(70,469)	(6,229,384)
Net book amount	39,719	259,021	298,740	251,631	4,533,069	638,916	53,637	5,775,993

Amortisation expense of \$657,695 (2006: \$523,327) has been charged in cost of sales while \$7,726 (2006: \$12,419) has been charged in other operating expenses.

Included in production assets is a net amortised amount of \$1,208,685 (2006: \$1,014,156) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to twenty-five (25) years. Included in refining and marketing assets is a net amortised amount of \$559,998 (2006: \$530,161) in respect of decommissioning costs. The remaining amortisation periods for these decommissioning costs are one (1) to fourteen (14) years.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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## 6 Intangible Assets (continued)

As of October 1, 2004, in accordance with International Financial Reporting Standard (IFRS) 3-Business Combinations, the Company ceased amortising goodwill from the purchase of the Trinmar Joint Venture assets. 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.

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 5-year period.

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

- price per barrel of crude of US\$57.05/TT\$359.42\* (2006: US\$52.38/TT\$328.91\*) and price per mscf of natural gas of US\$1.22/TT\$7.67\* (2006: US\$1.11/TT\$6.97\*), estimated using the market assumptions of the Company's 2008-2010 Business Plan approved by its Board of Directors and Executive Management;
- the future cash flows were discounted using a rate of 6.51% per annum, which represents the Company's incremental borrowing rate;
- 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 taxes were calculated at prevailing rates;
- the cash flow projections were based on constant prices and constant costs;
- the unit's value in use amount exceeds its carrying amount by approximately TT\$1,321,000.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of this cash generating unit to materially exceed its recoverable amount. The impairment test revealed that this asset was not impaired as of September 30, 2007 and September 30, 2006 and consequently no write down of goodwill is required.

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 the Exploration and Evaluation assets associated with Block 3A, 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.

To date, exploration and evaluation in Block 3A have not led to the discovery of commercially viable quantities and the Group together with its joint venture partners, have decided to discontinue such activities in this area. As a result, for the year ended September 30, 2007 \$27,089 have been written off to the Income Statement.

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

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 7 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.

	September 30	
	2007	2006
Exploration and evaluation costs		
Exploration expenditure written off	\$ 27,089	\$ --
Other exploration costs	<u>1,002</u>	<u>194</u>
Exploration expense for the year	<u>\$ 28,091</u>	<u>\$ 194</u>

Assets and liabilities related to the exploration and evaluation of mineral resources other than those presented in Notes 5 and 6 above are as follows:

Payable to contractors and operators	\$ --	\$ 25,172
Net cash used in operating activities	\$ (1,002)	\$ (194)
Net cash used in investing activities	\$ (67,178)	\$ (9,308)

## 8 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	Closed	First Citizens Trust and Asset Management Limited
Trintoc Staff Retirement Plan	All monthly rated employees	First Citizens Trust and Asset Management Limited
Trintoc Employees Benefit Plan	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	All weekly/hourly paid workers	Republic Bank Limited – Trust and Asset Management Division
Trinmar Employees Benefit Plan	Trinmar hourly/weekly rated employees	RBTT Trust Limited

# **Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

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## **8 Retirement Benefit Asset/(Obligation) (continued)**

The Plans are funded to cover future pension liabilities in respect of service up to the balance sheet date. The Plans are subject to an independent actuarial valuation 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 and wages). Employer's contributions are certified by the Plans' independent qualified actuary. For the year ended September 30, 2006, the employer's contribution rate was 14% 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, out of the eight, Pension Plans should be merged into a single Plan and made implementation of the improvements subject to the successful completion of the Plan merger and to no additional contributions being required from Petrotrin.

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
- 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.

A full independent actuarial valuation of the Plans was carried out as at September 30, 2004. The actuarial valuation showed that the aggregate market value of the Plan's assets at September 30, 2004 was \$1,379, 000 representing some 36% of the accrued liabilities.

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 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 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, 2007 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, 2004 rolled forward to reflect developments since that date which would have a significant effect on the defined benefit obligation and

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 8 Retirement Benefit Asset/(Obligation) (continued)

service cost and on up-to-date asset values. Financial assumptions used in the 2004 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 the income statement 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 each defined benefit plan at each balance sheet 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 Plans as one entity for the purpose of determining the amortisation of excess gains and losses.

		<b>Parent and Consolidated</b>	
		<b>September 30</b>	
		<b>2007</b>	<b>2006</b>
			<b>Restated</b>
<b>Balance sheet asset/(obligation) for:</b>			
Pension benefits	(i)	\$ 1,421,800	\$ 1,379,900
Post-employment medical benefits	(ii)	<u>(908,100)</u>	<u>(855,000)</u>
		<u>\$ 513,700</u>	<u>\$ 524,900</u>
<b>Income statement (charge)/credit for:</b>			
Pension (charges)/benefits	(i)	\$ (64,100)	\$ 96,400
Post-employment medical benefits	(ii)	<u>(102,300)</u>	<u>(88,700)</u>
		<u>\$ (166,400)</u>	<u>\$ 7,700</u>

### (i) Pension benefits

The amounts recognised in the balance sheet are determined as follows:

Present value of funded obligations	\$ (5,559,000)	\$(4,894,600)
Fair value of plan assets	<u>7,803,800</u>	<u>7,052,300</u>
Surplus	2,244,800	2,157,700
Unrecognised actuarial gains	(495,000)	(452,900)
Un-utilisable assets	<u>(328,000)</u>	<u>(324,900)</u>
Asset in the balance sheet	<u>\$ 1,421,800</u>	<u>\$ 1,379,900</u>

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

**Petroleum Company of Trinidad and Tobago Limited****September 30, 2007****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****8 Retirement Benefit Asset/(Obligation) (continued)****(i) Pension benefits (continued)**

Change in defined benefit obligations:

	<b>Parent and Consolidated</b>	
	<b>September 30</b>	
	<b>2007</b>	<b>2006</b>
		<b>Restated</b>
Defined benefit obligations at start of year	\$ (4,894,600)	\$ (4,911,500)
Service cost	(144,000)	(149,900)
Interest cost	(421,900)	(348,500)
Members' contributions	(56,800)	(48,300)
Past service cost	(148,700)	(35,100)
Actuarial (losses) / gains	(195,300)	318,100
Benefits paid	295,500	274,400
Expense allowance	<u>6,800</u>	<u>6,200</u>
Defined benefit obligations at end of year	<u>\$ (5,559,000)</u>	<u>\$ (4,894,600)</u>

Change in Plan assets:

	<b>Parent and Consolidated</b>	
	<b>September 30</b>	
	<b>2007</b>	<b>2006</b>
		<b>Restated</b>
Plan assets at start of year	\$ 7,052,300	\$ 7,844,000
Expected return on Plan assets	681,000	699,500
Actuarial gains / (losses)	210,000	(1,345,200)
Company contributions	106,000	86,300
Members' contributions	56,800	48,300
Benefits paid	(295,500)	(274,400)
Expense allowance	<u>(6,800)</u>	<u>(6,200)</u>
Plan assets at end of year	<u>\$ 7,803,800</u>	<u>\$ 7,052,300</u>

The amounts recognised in the income statement were determined as follows:

	<b>Parent and Consolidated</b>	
	<b>September 30</b>	
	<b>2007</b>	<b>2006</b>
		<b>Restated</b>
Current service cost	\$ (144,000)	\$ (149,900)
Interest cost	(421,900)	(348,500)
Expected return on plan assets	681,000	699,500
Amortised (losses)/gains	(27,400)	600
Past service cost	(148,700)	(35,100)
Net actuarial losses recognised in the year	<u>(3,100)</u>	<u>(70,200)</u>
Total (Note 27)	<u>\$ (64,100)</u>	<u>\$ 96,400</u>

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 8 Retirement Benefit Asset/(Obligation) (continued)

### (i) Pension benefits (continued)

The actual return on the plan assets was:

	Parent and Consolidated September 30	
	2007	2006 Restated
Expected return on Plan assets	\$ 681,000	\$ 699,500
Actuarial gains / (losses) on Plan assets	<u>210,000</u>	<u>(1,345,200)</u>
Actual return on Plan assets	\$ <u>891,000</u>	\$ <u>(645,700)</u>

Experience history:

Experience adjustment on Plan liabilities	\$ (195,300)	\$ (135,900)
Experience adjustment on Plan assets	210,000	(1,345,200)

Movement in the asset recognised in the balance sheet:

At start of year	\$ 1,379,900	\$ 1,197,200
Total income	(64,100)	96,400
Contributions paid	<u>106,000</u>	<u>86,300</u>
At end of year	\$ <u>1,421,800</u>	\$ <u>1,379,900</u>

Asset allocation:

Equity securities	50.4%	48.5%
Debt securities	37.1%	36.5%
Money market instruments / cash	<u>12.5%</u>	<u>15.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

### (ii) Post-employment medical benefits

The amounts recognised in the balance sheet were determined as follows:

Present value of funded obligations	\$ (1,041,800)	\$ (957,900)
Unrecognised actuarial losses	<u>133,700</u>	<u>102,900</u>
Liability in balance sheet	\$ <u>(908,100)</u>	\$ <u>(855,000)</u>

**Petroleum Company of Trinidad and Tobago Limited****September 30, 2007****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****8 Retirement Benefit Asset/(Obligation) (continued)****(ii) Post-employment medical benefits (continued)**

Change in defined benefit obligations:

	<b>Parent and Consolidated</b>	
	<b>September 30</b>	
	<b>2007</b>	<b>2006</b>
		<b>Restated</b>
Defined benefit obligations at start of year	\$ (957,900)	\$ (929,100)
Service cost	(20,000)	(20,900)
Interest cost	(81,800)	(65,900)
Actuarial (losses) / gains	(31,300)	13,000
Benefits paid	<u>49,200</u>	<u>45,000</u>
Defined benefit obligations at end of year	<u>\$ (1,041,800)</u>	<u>\$ (957,900)</u>

Experience history:

Experience adjustment on Plan liabilities	\$ (31,300)	\$ 13,000
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Movement in the liability recognised in the balance sheet:

At start of year, after restatements	\$ (855,000)	\$ (811,300)
Total cost	(102,300)	(88,700)
Contributions paid	<u>49,200</u>	<u>45,000</u>
At end of year	<u>\$ (908,100)</u>	<u>\$ (855,000)</u>

The amounts recognised in the income statement were determined as follows:

Current service cost	\$ (20,000)	\$ (20,900)
Interest cost	(81,800)	(65,900)
Amortised net loss	<u>(500)</u>	<u>(1,900)</u>
Total (Note 27)	<u>\$ (102,300)</u>	<u>\$ (88,700)</u>

The total cost of \$102,300 (2006: \$88,700) has been charged in administrative expenses.

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

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**8 Retirement Benefit Asset/(Obligation) (continued)**

**(iii) Other**

The principal actuarial assumptions for pension and medical benefits were as follows:

	<b>Parent and Consolidated September 30</b>	
	<b>2007</b>	<b>2006</b>
Discount rate – active members and deferred pensioners	8.75% per annum	8.75% per annum
Discount rate – current pensioners	8.75% per annum	8.75% per annum
Expected Return on Plan Assets (net investment expenses)	9.75% per annum	9.75% per annum
Future salary increases	8.00% per annum	8.00% per annum
Medical expenses inflation	7.50% per annum	7.50% per annum

The average life expectancy in years of a pensioner retiring at age 60 is as follows:

Male	21	21
Female	26	26

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

Contributions to post-employment benefit plans for the year ending September 30, 2008 are expected to be approximately \$166,100.

The effects of a 1% movement in the medical expenses trend rate were:

	<b>Increase</b>	<b>Decrease</b>
Effect on aggregate current service cost and interest cost	\$ 17,900	\$ (14,400)
Effect on year-end defined benefit obligation	159,700	(130,700)

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 9 Cash In Escrow

Parent September 30			Consolidated September 30	
2006	2007		2007	2006
\$ 73,810	\$ 77,815	COPCO Bankers Trust Liquid Account	\$ 77,815	\$ 73,810
<u>34,532</u>	<u>34,752</u>	COPCO Collection Account	<u>34,752</u>	<u>34,532</u>
<u>\$ 108,342</u>	<u>\$ 112,567</u>		<u>\$ 112,567</u>	<u>\$ 108,342</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 forward sale contract with Caribbean Oil Purchase Company Limited (COPCO). (See Note 21).

## 10 Investments - Available For Sale

\$ 4,738	\$ 4,731	Beginning of year	\$ 4,731	\$ 4,738
<u>(7)</u>	<u>29</u>	Exchange differences	<u>29</u>	<u>(7)</u>
<u>\$ 4,731</u>	<u>\$ 4,760</u>	End of year	<u>\$ 4,760</u>	<u>\$ 4,731</u>
		La Brea Industrial Development Company Limited (LABIDCO)		
\$ 4,542	\$ 4,570		\$ 4,570	\$ 4,542
188	189	Metal Industries Company Limited	189	188
<u>1</u>	<u>1</u>	Lake Asphalt of Trinidad and Tobago (1975) Limited (LATT)	<u>1</u>	<u>1</u>
<u>\$ 4,731</u>	<u>\$ 4,760</u>		<u>\$ 4,760</u>	<u>\$ 4,731</u>

There were no disposals or impairment provisions during the year. These investments are unquoted equity investments that are stated at cost less impairment.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 11 Investments In Subsidiaries

Parent				Consolidated	
September 30				September 30	
2006	2007			2007	2006
			Caribbean Oil Purchase Company Limited (COPCO) – Special Purpose Entity	\$	\$
\$ --	\$ --		Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)		
2	2		Trinmar Limited (Trinmar)*	--	--
2	2		Petrotrin de Venezuela S.A.*	--	--
--	--		Trintoc Services Limited (Trinserv)*	--	--
--	--		Trinidad Northern Areas Limited (TNA)	--	--
721	721		Petrotrin EAP Services Limited (PEAPSL)	--	--
<u>1,500</u>	<u>1,500</u>		Net advances to subsidiary	--	--
2,225	2,225		Currency translation differences	--	--
<u>3</u>	<u>--</u>		<b>Total Investments in Subsidiaries</b>	<u>\$ --</u>	<u>\$ --</u>
2,228	2,225				
<u>(2)</u>	<u>--</u>				
<u>\$ 2,226</u>	<u>\$ 2,225</u>				

\*These companies are dormant. All residual assets are due to Petrotrin.

Name of Company	Country of Incorporation	Proportion of issued equity capital held
-----------------	--------------------------	--

The subsidiary companies are as follows:

COPCO	Cayman Island	--%
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Caribbean Oil Purchase Company Limited (COPCO) is a 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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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.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 11 Investments In Subsidiaries (continued)

Name of Company	Country of Incorporation	Proportion of issued equity capital held
Trinmar	Trinidad and Tobago	100%
Trinmar operates certain concessions in accordance with a Marine Operating Agreement dated August 1, 1960.		
Petrotrin de Venezuela S.A.	Venezuela	49%
Petrotrin de Venezuela was formed for the specific purpose of facilitating the exploration work in the Gulf of Paria East area, Venezuela together with IneParia Inc.		
Trinserv	Trinidad and Tobago	100%
Trinserv was engaged primarily in the provision of marketing information and the purchase of materials on a commission basis through its Miami office for Petrotrin. This subsidiary ceased operations as of October 1, 2002 and is presently being wound up.		
TNA	United Kingdom	100 %
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 %
PEAPSL provides counselling services for employees and third parties.		

## 12 Investment In Jointly Controlled Entity

Parent September 30			Consolidated September 30	
2006	2007		2007	2006
Restated				Restated
\$ 62,812	\$ 82,566	World GTL Trinidad Limited	\$ 82,566	\$ 62,812
<u>(19)</u>	<u>297</u>	Exchange differences	<u>297</u>	<u>(19)</u>
<u>\$ 62,793</u>	<u>\$ 82,863</u>	End of year	<u>\$ 82,863</u>	<u>\$ 62,793</u>

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 12 Investment in jointly controlled entity (continued)

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

In accordance with IAS31 (revised 2003) -Interest in Joint Ventures, the Group's investment in World GTL Trinidad Limited is accounted for using the equity method of accounting. Prior to October 01, 2006 this was accounted for using proportionate consolidation. This change resulted in the following restatement of balances as at September 30, 2006:

Parent September 30, 2006			Consolidated September 30, 2006	
Original	Restated		Original	Restated
		<b>Assets</b>		
\$ 4,455,134	\$ 4,345,697	Property, plant and equipment	\$ 4,459,357	\$ 4,349,920
		Investment in jointly controlled entity		
<u>    --</u>	<u>    62,793</u>		<u>    --</u>	<u>    62,793</u>
<u>4,455,134</u>	<u>4,408,490</u>		<u>4,459,357</u>	<u>4,412,713</u>
		<b>Current assets</b>		
1,844,214	1,836,363	Receivables and prepayments	1,859,404	1,851,553
<u>1,881,805</u>	<u>1,879,035</u>	Cash and cash equivalents	<u>1,947,131</u>	<u>1,944,361</u>
<u>3,726,019</u>	<u>3,715,398</u>		<u>3,806,535</u>	<u>3,795,914</u>
		<b>Non-current liabilities</b>		
762,386	718,677	Borrowings	839,777	796,068
		<b>Current liabilities</b>		
2,110,145	2,095,970	Trade and other payables	2,108,064	2,093,653
\$ 1,060,602	\$ 1,061,221	Bank overdraft and short-term loans	\$ 1,060,602	\$ 1,061,221

## 13 Deferred 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:

Parent September 30			Consolidated September 30	
2006	2007		2007	2006
Restated				Restated
\$(1,666,421)	\$(1,681,504)	At start of year, after restatements	\$(1,679,518)	\$(1,662,817)
<u>    (15,083)</u>	<u>    (202,141)</u>	Income statement charge (Notes 19 and 30)	<u>    (202,387)</u>	<u>    (16,701)</u>
<u>\$(1,681,504)</u>	<u>\$(1,883,645)</u>	At end of year	<u>\$(1,881,905)</u>	<u>\$(1,679,518)</u>

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**13 Deferred Tax Assets/(Liabilities) (continued)**

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

Deferred tax assets and liabilities in the balance sheet and the deferred tax charge in the income statement are attributable to the following items:

<b>Parent</b>	<b>September 30, 2006</b>	<b>(Charged)/ credited to Income Statement</b>	<b>September 30, 2007</b>
	<b>Restated</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deferred tax assets</b>			
Retirement benefit obligation	450,585	30,708	481,293
Finance cost on decommissioning	474,965	115,472	590,437
Vacation leave payable	45,075	8,080	53,155
Interest payable	237,726	35,595	273,321
Exchange loss	2,279	(2,279)	--
	<u>1,210,630</u>	<u>187,576</u>	<u>1,398,206</u>
<b>Deferred tax liabilities</b>			
Accelerated tax depreciation (E&P)	(1,380,330)	(65,865)	(1,446,195)
Accelerated tax depreciation (R&M)	(784,597)	(288,207)	(1,072,804)
Retirement benefit asset	(727,207)	(32,034)	(759,241)
Exchange gain	--	(3,611)	(3,611)
	<u>(2,892,134)</u>	<u>(389,717)</u>	<u>(3,281,851)</u>
<b>Net deferred tax liability</b>	<u>(1,681,504)</u>	<u>(202,141)</u>	<u>(1,883,645)</u>

<b>Parent</b>	<b>September 30, 2005</b>	<b>(Charged)/ credited to Income Statement</b>	<b>September 30, 2006</b>
	<b>Restated</b>		<b>Restated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deferred tax assets</b>			
Retirement benefit obligation	430,374	20,211	450,585
Finance cost on decommissioning	365,273	109,692	474,965
Vacation leave payable	44,570	505	45,075
Interest payable	191,262	46,464	237,726
Exchange loss	141	2,138	2,279
	<u>1,031,620</u>	<u>179,010</u>	<u>1,210,630</u>
<b>Deferred tax liabilities</b>			
Accelerated tax depreciation (E&P)	(1,324,962)	(55,368)	(1,380,330)
Accelerated tax depreciation (R&M)	(737,964)	(46,633)	(784,597)
Retirement benefit asset	(635,115)	(92,092)	(727,207)
	<u>(2,698,041)</u>	<u>(194,093)</u>	<u>(2,892,134)</u>
<b>Net deferred tax liability</b>	<u>(1,666,421)</u>	<u>(15,083)</u>	<u>(1,681,504)</u>

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**13 Deferred Tax Assets/(Liabilities) (continued)**

<b>Consolidated</b>	<b>September 30, 2006</b>	<b>(Charged)/ credited to Income Statement</b>	<b>September 30, 2007</b>
	<b>Restated</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deferred tax assets</b>			
Retirement benefit obligation	450,585	30,708	481,293
Finance cost on decommissioning	474,965	115,472	590,437
Vacation leave payable	45,075	8,080	53,155
Interest payable	237,726	35,595	273,321
Exchange loss	2,279	(2,279)	--
Accelerated book depreciation	<u>2,260</u>	<u>(1,652)</u>	<u>608</u>
	<u>1,212,890</u>	<u>185,924</u>	<u>1,398,814</u>
<b>Deferred tax liabilities</b>			
Accelerated tax depreciation (E&P)	(1,380,330)	(65,865)	(1,446,195)
Accelerated tax depreciation (R&M)	(784,597)	(288,207)	(1,072,804)
Retirement benefit asset	(727,207)	(32,034)	(759,241)
Exchange gain	<u>(274)</u>	<u>(2,205)</u>	<u>(2,479)</u>
	<u>(2,892,408)</u>	<u>(388,311)</u>	<u>(3,280,719)</u>
<b>Net deferred tax liability</b>	<u>(1,679,518)</u>	<u>(202,387)</u>	<u>(1,881,905)</u>

<b>Consolidated</b>	<b>September 30, 2005</b>	<b>(Charged)/ credited to Income Statement</b>	<b>September 30, 2006</b>
	<b>Restated</b>		<b>Restated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deferred tax assets</b>			
Retirement benefit obligation	430,374	20,211	450,585
Finance cost on decommissioning	365,273	109,692	474,965
Vacation leave payable	44,570	505	45,075
Interest payable	191,262	46,464	237,726
Exchange loss	481	1,798	2,279
Accelerated book depreciation	<u>3,264</u>	<u>(1,004)</u>	<u>2,260</u>
	<u>1,035,224</u>	<u>177,666</u>	<u>1,212,890</u>
<b>Deferred tax liabilities</b>			
Accelerated tax depreciation (E&P)	(1,324,962)	(55,368)	(1,380,330)
Accelerated tax depreciation (R&M)	(737,964)	(46,633)	(784,597)
Retirement benefit asset	(635,115)	(92,092)	(727,207)
Exchange gain	<u>--</u>	<u>(274)</u>	<u>(274)</u>
	<u>(2,698,041)</u>	<u>(194,367)</u>	<u>(2,892,408)</u>
<b>Net deferred tax liability</b>	<u>(1,662,817)</u>	<u>(16,701)</u>	<u>(1,679,518)</u>

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 14 Taxes Recoverable

Parent			Consolidated	
September 30			September 30	
2006	2007		2007	2006
\$ 705,125	\$ 709,325	Note (a)	\$ 709,502	\$ 705,302
<u>403,297</u>	<u>127,000</u>	Note (b)	<u>127,000</u>	<u>403,297</u>
<u>\$ 1,108,422</u>	<u>\$ 836,325</u>		<u>\$ 836,502</u>	<u>\$ 1,108,599</u>

This represents amounts recoverable from the Board of Inland Revenue due to:

- (a) revisions to capital allowances from vesting of the assets of the predecessor companies that were partly merged to form Petrotrin.
- (b) Changes to prior year taxes for the treatment of pension and medical contributions payments as deductible tax expenses as well as the reclassification of refinery spares as capital additions. These changes were made in financial year 2006.

## 15 Inventories

\$ 307,343	\$ 330,832	Materials and supplies	\$ 330,832	\$ 307,343
		Less: provision for		
<u>(47,144)</u>	<u>(47,550)</u>	obsolescence	<u>(47,550)</u>	<u>(47,144)</u>
260,199	283,282		283,282	260,199
615,318	692,503	Crude oil	692,710	615,654
<u>1,190,096</u>	<u>1,699,773</u>	Refined products	<u>1,699,773</u>	<u>1,190,096</u>
<u>\$ 2,065,613</u>	<u>\$ 2,675,558</u>		<u>\$ 2,675,765</u>	<u>\$ 2,065,949</u>

The Group recognised an increase of \$406 (2006: \$8,489) in the provision for obsolescence of its inventories.

## 16 Loans Receivable

\$ 5,040	\$ 8,145	(a) Point Fortin LNG Exports Limited	\$ 8,145	\$ 5,040
<u>--</u>	<u>63,462</u>	(b) World GTL Inc.	<u>63,462</u>	<u>---</u>
<u>\$ 5,040</u>	<u>\$ 71,607</u>		<u>\$ 71,607</u>	<u>\$ 5,040</u>

- (a) This amount represents a short-term, non-interest bearing loan, which was Petrotrin's share (19.5%) of Point Fortin LNG Exports Limited's (PFLE) funding request of its shareholders.

By Loan Facility Letter Agreement of May 1, 2002, Petrotrin along with the other shareholders of PFLE agreed to each make available a revolving loan facility of an amount up to a total of US\$10,000 (TT\$62,792) to fund the working capital requirements and any sums falling due for payment under and in accordance with the terms of its business contracts. Petrotrin's share of this obligation will not at any time exceed US\$1,950 (TT\$12,245). PFLE may draw down under this facility at any time from May 1, 2002 until June 30, 2008 and shall repay any outstanding amounts in full by June 30, 2008. The value of \$8,145 is the fair value of the loan.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 16 Loans Receivable (continued)

(b) By Guarantee Contribution Agreement of January 12, 2007, Petrotrin agreed to fund certain of the obligations of WGTL Inc associated with the construction of the WGTL (Trinidad) Limited Gas-to-Liquids Plant. This receivable amount represents a long-term interest bearing loan of 7.23% during the first year of disbursement and 7.73% thereafter. It is repayable on or before the first anniversary of each disbursement date. The total receivable amount as at September 30, 2007 was US\$9,853 (TT\$63,462), while its fair value was US\$9,545 (TT\$60,293).

## 17 Receivables And Prepayments

Parent			Consolidated	
September 30			September 30	
2006	2007		2007	2006
Restated				Restated
\$ 540,233	\$ 1,646,917	Trade receivables	\$ 1,651,549	\$ 546,194
<u>(2,578)</u>	<u>(1,922)</u>	Less: provision for impairment of trade receivables	<u>(1,922)</u>	<u>(2,578)</u>
<u>537,655</u>	<u>1,644,995</u>		<u>1,649,627</u>	<u>543,616</u>
1,213,378	1,205,081	Related parties	1,200,627	1,212,404
<u>(34,499)</u>	<u>(129,146)</u>	Less: provision for impairment of receivables	<u>(129,146)</u>	<u>(34,499)</u>
<u>1,178,879</u>	<u>1,075,935</u>		<u>1,071,481</u>	<u>1,177,905</u>
180,512	201,494	Other receivables	219,190	206,502
<u>(84,982)</u>	<u>(60,853)</u>	Less: provision for impairment of other receivables	<u>(60,853)</u>	<u>(84,982)</u>
<u>95,530</u>	<u>140,641</u>		<u>158,337</u>	<u>121,520</u>
15,787	14,238	Due from subsidiaries	--	--
<u>8,512</u>	<u>53,889</u>	Prepayments	<u>53,889</u>	<u>8,512</u>
<u>\$ 1,836,363</u>	<u>\$ 2,929,698</u>		<u>\$ 2,933,334</u>	<u>\$ 1,851,553</u>

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

During the year the movement in the provision for the impairment of receivables was \$69,862 (2006: (\$7,849)), in the following categories:

- ▣ Trade receivables – decrease of \$656 (2006: \$13,104)
- ▣ Related parties – increase of \$94,647 (2006: \$8,490)
- ▣ Other receivables – decrease of \$24,129 (2006: \$3,235).

This movement also includes \$14,315 (2006: \$10,745) under ‘Other receivables’ for a previous provision written off in the current financial year. As a result, the net charge in the income statement for the impairment of receivables was \$84,177 (2006: \$2,896).

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**18 Cash And Cash Equivalents**

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>			<b>September 30</b>	
<b>2006</b>	<b>2007</b>		<b>2007</b>	<b>2006</b>
<b>Restated</b>				<b>Restated</b>
\$ 110,619	\$ 47,928	Cash at bank and in hand	\$ 110,439	\$ 175,945
<u>1,768,416</u>	<u>3,992,459</u>	Short-term bank deposits	<u>3,999,322</u>	<u>1,768,416</u>
<u>\$ 1,879,035</u>	<u>\$ 4,040,387</u>		<u>\$ 4,109,761</u>	<u>\$ 1,944,361</u>

The weighted average effective interest rate on short-term deposits was 6.05% (2006: 6.12%). These deposits have an average maturity of twenty-one days (2006: three days).

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

\$ 1,879,035	\$ 4,040,387	Cash and cash equivalents	\$ 4,109,761	\$1,944,361
<u>(88,192)</u>	<u>(60,245)</u>	Bank overdraft (Note 24)	<u>(60,245)</u>	<u>(88,192)</u>
<u>\$ 1,790,843</u>	<u>\$ 3,980,142</u>		<u>\$ 4,049,516</u>	<u>\$1,856,169</u>

**19 Non-Current Assets Held For Sale**

The assets and liabilities related to Trinidad and Tobago Marine Petroleum Company Limited (80% shareholdings of Platform, Pipelines and Tank farm) have been presented as held-for-sale following the Company's management committed plan to sell in accordance with the Sales and Purchases Agreement with EOG Resources Trinidad Limited (EOGR).

**(a) Cash flow statement for discontinued operations**

\$ <u>          </u> --	\$ <u>          </u> --	<b>Investing cash flows</b>	\$ <u>27,003</u>	\$ <u>50,692</u>
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**(b) Non-current assets classified as held-for-sale**

\$ --	\$ --	Property, plant and equipment	\$ 3,320	\$ --
--	--	Intangible assets	5,315	--
<u>          </u> --	<u>          </u> --	Deferred tax asset	<u>831</u>	<u>          </u> --
<u>\$ --</u>	<u>\$ --</u>		<u>\$ 9,466</u>	<u>\$ --</u>

**(c) Liabilities directly associated with non-current assets classified as held-for-sale**

\$ <u>          </u> --	\$ <u>          </u> --	<b>Provisions</b>	\$ <u>37,022</u>	<u>          </u> --
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**Petroleum Company of Trinidad and Tobago Limited**

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

**19 Non-Current Assets Held For Sale (continued)****(d) Analysis of the result of discontinued operations**

Parent			Consolidated	
September 30			September 30	
2006	2007		2007	2006
\$ --	\$ --	Revenue	\$ 30,339	\$ 37,770
<u>--</u>	<u>--</u>	Cost of sales	<u>8,538</u>	<u>(41,948)</u>
--	--	Gross profit/(loss)	38,877	(4,178)
<u>--</u>	<u>--</u>	Other operating income	<u>51,804</u>	<u>50,961</u>
--	--	Operating profit	90,681	46,783
<u>--</u>	<u>--</u>	Finance Costs - net	<u>(5,481)</u>	<u>(5,512)</u>
--	--	Profit before tax of		
--	--	discontinued operations	85,200	41,271
<u>--</u>	<u>--</u>	Tax	<u>(29,063)</u>	<u>(29,975)</u>
--	--	Profit for the year from		
<u>--</u>	<u>\$ --</u>	discontinued operations	<u>\$ 56,137</u>	<u>\$ 11,296</u>

**20 Share Capital**

		Authorised		
		300,000,000 ordinary shares of no par value		
		(2005: 300,000,000 ordinary shares of no par value)		
		Issued and fully paid		
		300,000,000 ordinary shares of no par value		
		(2005: 300,000,000 ordinary shares of		
<u>\$2,272,274</u>	<u>\$2,272,274</u>	no par value)	<u>\$2,272,274</u>	<u>\$2,272,274</u>

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 21 Borrowings

Parent September 30			Consolidated September 30	
2006	2007		2007	2006
Restated				Restated
\$ --	\$ 4,737,487	Gasoline Optimisation Project (i)	\$ 4,737,487	\$ --
770,630	696,264	Forward sale contract (ii)	696,264	770,630
55,744	24,745	Project funding (iii)	24,745	55,744
<u>--</u>	<u>--</u>	Other (iv)	<u>77,852</u>	<u>77,391</u>
826,374	5,458,496		5,536,348	903,765
<u>(107,697)</u>	<u>(96,151)</u>	Less: current portion	<u>(96,151)</u>	<u>(107,697)</u>
<u>\$ 718,677</u>	<u>\$ 5,362,345</u>		<u>\$ 5,440,197</u>	<u>\$ 796,068</u>

Non-current borrowings include a secured liability in the sum of \$18,660 (2006: \$25,303). This borrowing is secured by the provision of Government of the Republic of Trinidad and Tobago (GORTT) guarantee.

		<b>Total borrowings</b>		
\$ 801,071	\$ 5,439,836	- at fixed rates	\$ 5,517,688	\$ 878,462
<u>25,303</u>	<u>18,660</u>	- at floating rates	<u>18,660</u>	<u>25,303</u>
<u>\$ 826,374</u>	<u>\$ 5,458,496</u>		<u>\$ 5,536,348</u>	<u>\$ 903,765</u>
		Weighted average effective interest rates:		
		- bank borrowings (medium and long-term)	6.25%	7.81%
7.81%	6.25%			
		<b>Maturity of non-current borrowings:</b>		
\$ 107,697	\$ 96,151	Not later than 1 year	\$ 96,151	\$ 107,697
202,581	206,310	Later than 1 and less than 3 years	284,162	279,972
113,140	170,592	Between 3 and 4 years	170,592	113,140
<u>402,956</u>	<u>4,985,443</u>	Over 5 years	<u>4,985,443</u>	<u>402,956</u>
<u>\$ 826,374</u>	<u>\$ 5,458,496</u>		<u>\$ 5,536,348</u>	<u>\$ 903,765</u>

### Borrowing facilities:

As at September 30, 2007, the Company has short-term credit facilities (Note 24) with various foreign and local banking institutions totalling \$3,098,448 (2006: \$2,972,440), of which the sum of \$3,098,448 (2006: \$1,999,410) was unutilised.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 21 Borrowings (continued)

### (i) Gasoline Optimisation Project (GOP)

Parent		Consolidated	
September 30		September 30	
2006	2007	2007	2006
		Gasoline Optimisation	
\$ <u>          </u> --	\$ <u>4,737,487</u>	Project	\$ <u>4,737,487</u> \$ <u>          </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 will substantially finance our Gasoline Optimisation Project (GOP). The GOP is an extensive upgrade of our 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 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 July 2009.

Description	Terms and Conditions	Security
<p>Petrotrin issued US\$750 million Senior Unsecured Notes under 144A/Reg S offering on May 8, 2007. These notes will be general unsecured, unsubordinated and unconditional obligations of Petrotrin. This loan is being used to finance the Gasoline Optimisation Project at our Refinery.</p> <p>Standard Investment Grade covenants apply including limitations on liens, limitations on sale and leaseback transactions and limitations on consolidation, merger and sale of assets.</p>	<p>Interest on the Notes started accruing from May 8, 2007 and is payable semi-annually on each May 8 and November 8. Interest is at a rate of 6.00% per annum.</p> <p>Principal payments will be made in 24 equal semi-annual instalments of US\$31.25 million on each interest payment date commencing on November 8, 2010 and ending on May 8, 2022.</p> <p>The Notes are subject to optional redemption.</p> <p>Petrotrin is required to furnish to the Trustee and Holders of the Notes, its quarterly and annual statements. The former is due within 60 calendar days after the end of each of the first financial quarters and the latter within 150 calendar days after the end of each fiscal year.</p>	<p>Unsecured.</p>

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 21 Borrowings (continued)

### (ii) Forward Sale Contract

Parent September 30			Consolidated September 30	
2006	2007		2007	2006
		Caribbean Oil Purchase Company Limited (COPCO)		
\$ 770,630	\$ 696,264		\$ 696,264	\$ 770,630

Petrotrin entered into a forward sale contract (Diesel Contract) with the Caribbean Oil Purchase Company Limited (COPCO), a 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.

The Diesel Contract provides for the forward sale of a fixed quantity of diesel, also known as No. 2 Oil, to be delivered to COPCO in quarterly delivery periods. In consideration of the forward sale contract, Petrotrin received \$936,638 (US\$150,000) from COPCO.

To finance the Diesel Contract, COPCO raised US\$150,000 in the United States Securities market by issuing limited recourse Senior Notes to various investors. At the time of issue, the Notes were rated “AAA” by Standard and Poor’s, and “Aaa” by Moody’s Investors Service Inc.

Description	Terms and Conditions	Security
Petrotrin entered into the Diesel Contract with COPCO on December 28, 2001.	Both interest and insurance premiums on the Senior Notes started accruing from December 28, 2001 and are payable quarterly on each January 15, April 15, July 15, and October 15. Interest and insurance premium are at rates of 6.88% and 1.05% per annum respectively.	Limited recourse Forward Sale of No. 2 Oil.
The Diesel Contract requires Petrotrin to deliver to COPCO an aggregate number of barrels of diesel, plus any additional barrels required during the period commencing December 28, 2001 until January 15, 2014. The number of barrels required for delivery is determined on the basis of a floor price for diesel of US\$0.25 per gallon.		
Under the Diesel Contract, Petrotrin acts as marketing agent on behalf of COPCO with respect to the delivery and sale of the diesel to approved buyers. Payments received by COPCO from the approved buyers pursuant to the Diesel Contract are principally used to pay amounts due on the Senior Notes and to the insurance guarantor of the Senior Notes.	Principal on the Senior Notes is payable on a quarterly basis, commencing on April 15, 2004. The Senior Notes are subject to optional and mandatory redemption in certain circumstances.	

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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## 21 Borrowings (continued)

### (ii) Forward Sale Contract (continued)

Description	Terms and Conditions	Security
<p>If the proceeds from the sale of the required barrels of diesel is insufficient to cover the scheduled payments, Petrotrin is obligated to make good the shortfall by either paying cash or supplying additional barrels. However, any surplus receipts by COPCO are refunded to Petrotrin.</p>	<p>The Diesel Contract requires Petrotrin to satisfy the following major covenant:</p>	
	<p>(i) Debt to Equity Ratio of:</p>	
<p>MBIA Insurance Corporation (MBIA) guarantees payments of principal in accordance with the amortisation schedule and accrual and unpaid interest in respect thereof to the Noteholders for an insurance premium. MBIA does not guarantee payment of principal or interest in excess of scheduled payments upon redemption of the notes or upon acceleration of the notes and will not guarantee payments of any Make Whole Premium.</p>	<p>(a) <b>1.10</b> or less from October 1, 2006 to September 30, 2009.</p> <p>(b) <b>1.0</b> or less thereafter.</p>	
<p>If at any time any Specified Event occurs, COPCO (at the direction of MBIA or, in certain circumstances, majority Noteholders) may exercise its rights of termination under the Diesel Contract and redeem the Senior Notes in whole, but not in part, at a redemption price equal to the unpaid principal amount of the Senior Notes, <i>plus</i> accrued and unpaid interest and Additional Amounts, if any, on the Senior Notes through the Redemption Date, <i>plus</i>, a Make Whole Premium.</p>	<p>(ii) Debt Service Coverage Ratio equal to or greater than 1.40 as of the last day of any fiscal quarter.</p>	

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

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**21 Borrowings (continued)**

**(ii) Forward Sale Contract (continued)**

**Description**

**Terms and Conditions**

**Security**

(iii) Tangible Net Worth equal to or greater than:

- (a) on the last day of any fiscal quarter after October 1, 2006, the greater of (i) TT\$2,000 and (ii) the sum of (1) TT\$1,750 plus 100% of any increase in share capital attributable to investment by any shareholder of Petrotrin made after October 1, 2001 and (2) 50% of the difference between aggregate Net Profit for Petrotrin's fiscal years 2002 through 2006 minus aggregate Dividends paid to the shareholders of Petrotrin during the same period.

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**21 Borrowings (continued)**

**(iii) Borrowings – Project Funding**

<b>Parent</b>				<b>Consolidated</b>	
<b>September 30</b>				<b>September 30</b>	
<b>2006</b>	<b>2007</b>			<b>2007</b>	<b>2006</b>
		Advances from the GORTT			
		- European Investment Bank			
\$ 18,647	\$ --	(EIB)	(a)	\$ --	\$ 18,647
		Advances from Caribbean			
25,303	18,660	Development Bank (CDB)	(b)	18,660	25,303
		Advances from GORTT EIB -			
<u>11,794</u>	<u>6,085</u>	MTBE Project	(c)	<u>6,085</u>	<u>11,794</u>
<u>\$ 55,744</u>	<u>\$ 24,745</u>			<u>\$ 24,745</u>	<u>\$ 55,744</u>

**(a) Advances from the GORTT**

The GORTT, on behalf of the Group, entered into long-term agreements with the InterAmerican Development Bank (IDB), The Export Import Bank of Japan (EXIMBANK) and EIB (the Banks). The proceeds of these loans were on lent to the Company via various agreements, the principal one being the IDB agreement dated December 6, 1991, on the same terms and conditions as those between the GORTT and the Banks except for the interest rate.

The interest rate charged by the GORTT to the Group for funds applied to sub-projects A, B and C, described below, excluding the environmental components and sub-project A, is 3% above the rate payable by the GORTT to the Banks.

The funds received were used to finance three projects, herein referred to as the Energy Project. These Projects are:

- **Sub-Project A**  
Secondary Recovery of Oil Onshore (Heavy Oil Recovery at Forest Reserve and Point Fortin);
- **Sub-Project B**  
Secondary Recovery of Oil Offshore (Trinmar Waterflood);
- **Sub-Project C**  
Modernisation of the Refinery at Pointe-a-Pierre (Refinery Upgrade).

The IDB and EXIMBANK loans were fully repaid as of July 6, 2006 and March 6, 2006 respectively.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 21 Borrowings (continued)

### (iii) Borrowings - Project Funding (continued)

#### (a) Advances from the GORTT (continued)

Description	Terms and Conditions	Security
<b>EIB</b>		
This loan was entered into on December 12, 1991 for a principal sum 38,000 ECUs to be disbursed in US\$, yen and sterling. This facility was fully drawdown on June 5, 1997. The principal outstanding as at September 30, 2006 was:	The principal was being repaid by twenty-two semi-annual instalments in June and December of each year, which commenced June 5, 1996, with the final instalment paid on December 5, 2006.	Unsecured.
US\$ 1,345 - TT\$ 8,445		
¥ 55,626 - TT\$ 3,032		
£ 606 - <u>TT\$ 7,170</u>	Interest was paid semi-annually.	
	During the year, the rate ranged between 6% to 8.15% (2006: 6% to 8.15%) per annum.	
	<u>TT\$ 18,647</u>	

#### (b) Advances from CDB

Description	Terms and Conditions	Security
This loan was entered into on April 30, 1993 for a principal sum of US\$18,000 (TT\$113,700) to be used on Sub-Project A (see Note 18(i) (a) above). The final disbursement on the facility was made on June 30, 1997. The principal outstanding as at September 30, 2007 was:	The principal is being repaid in forty-four quarterly instalments in March, June, September and December of each year, which commenced September 30, 1999, with the final instalment due June 30, 2010.	Guaranteed by the GORTT.
EC\$ 68 - TT\$ 157		
US\$ 2,767 - TT\$ 17,476		
and <u>TT\$ 1,027</u>	Interest is payable quarterly. The bank may increase or decrease the rate of interest and during the year, the rate ranged between 6.10% to 6.25% (2006: 6.00% to 6.25%) per annum.	
		<u>TT\$ 18,660</u>
September 30, 2006 was:		
EC\$ 92 - TT\$ 212		
US\$ 3,773 - TT\$ 23,690		
and <u>TT\$ 1,401</u>	A commitment charge at the rate of 1% per annum was payable on the undisbursed amount of the loan.	
		<u>TT\$ 25,303</u>

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**21 Borrowings (continued)**

**(iii) Borrowings - Project Funding (continued)**

**(c) Advances from the GORTT-EIB-MTBE Project**

Description	Terms and Conditions	Security
The GORTT entered into a long-term loan agreement with EIB. The proceeds of this loan was on lent on September 6, 1994 on the same terms and conditions as between the GORTT and the EIB except for the interest rate.	The loan is being repaid by twenty-four semi-annual equal instalments in April and October of each year, which commenced October 5, 1997, with the final instalment due April 2009.	Unsecured.

The amount advanced was utilised for the construction of Methyl Tertiary Butyl Ether (MTBE) Production Plant at the Pointe-a-Pierre refinery. This contract provides for a total of 8,500 ECUs of which 5,400 ECUs were fully drawdown on September 29, 1997. The principal outstanding as at September 30, 2007 was:

US\$	844	-	TT\$	5,333
¥	13,402	-	<u>TT\$</u>	<u>752</u>
			<u>TT\$</u>	<u>6,085</u>

September 30, 2006 was:

US\$	1,651	-	TT\$	10,366
¥	26,205	-	<u>TT\$</u>	<u>1,428</u>
			<u>TT\$</u>	<u>11,794</u>

**(iv) Other**

Parent		Consolidated	
September 30		September 30	
2006	2007	2007	2006
\$	--	\$	--
		The National Gas Company of Trinidad and Tobago Limited	
		<u>\$ 77,852</u>	<u>\$ 77,391</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, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 21 Borrowings (continued)

The carrying amounts and fair value of borrowings are as follows:

Consolidated	Carrying amount		Fair value	
	September 30		September 30	
	2006	2007	2007	2006
	Restated		Restated	
Gasoline Optimisation Project	\$ --	\$ 4,737,487	\$ 2,818,592	\$ --
Forward sale contract	770,630	696,264	587,831	630,302
Project funding	55,744	24,745	24,373	55,056
Other	77,391	77,852	125,391	102,236
	<u>\$ 903,765</u>	<u>\$ 5,536,348</u>	<u>\$ 3,556,187</u>	<u>\$ 787,594</u>

The fair value of borrowings was derived by discounting all future principal payments at prevailing market interest rates that ranged from 5.08% to 6.21% (2006: 5.17%). The significant difference between the carrying amounts and fair value of borrowings is mainly associated with the GOP loan, on which there is a three year moratorium on principal repayments together with an average life of 9.25 years and a discount rate of 6.21%.

## 22 Provisions

### Decommissioning Costs

Parent			Consolidated	
September 30			September 30	
2006	2007		2007	2006
\$ 2,837,053	\$ 3,123,887	At start of year	\$ 3,224,052	\$ 2,933,818
101,658	352,615	Revised costs estimates	292,129	98,168
		Liabilities associated with non-current assets held-for-sale	(37,022)	--
--	--	Charge to income statement		
		- Finance charge (Notes 19 and 29)	219,781	209,334
202,444	212,930	- Write back of decommissioning provision	(22,109)	(12,828)
(12,828)	(22,109)	- Impact of licence extension	(452)	--
--	--	Translation differences	19,089	(4,440)
<u>(4,440)</u>	<u>18,889</u>		<u>19,089</u>	<u>(4,440)</u>
<u>\$ 3,123,887</u>	<u>\$ 3,686,212</u>	At end of year	<u>\$ 3,695,468</u>	<u>\$ 3,224,052</u>
		<i>of which:</i>		
71,695	79,815	Current portion	79,815	71,695
<u>3,052,192</u>	<u>3,606,397</u>	Non-current portion	<u>3,615,653</u>	<u>3,152,357</u>
<u>\$ 3,123,887</u>	<u>\$ 3,686,212</u>	At end of year	<u>\$ 3,695,468</u>	<u>\$ 3,224,052</u>

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 22 Provisions

### Decommissioning Costs (continued)

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 cost of decommissioning 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 balance sheet date. The provision has been estimated using existing technology, at current prices, and discounted using an adjusted risk free rate of 6.51 % (2006: 6.84%) per annum. The payment dates of total expected future decommissioning costs are uncertain but are currently anticipated to be between 2008 and 2032.

## 23 Trade And Other Payables

Parent September 30			Consolidated September 30	
2006	2007		2007	2006
Restated				Restated
\$ 920,123	\$ 1,614,338	Trade payables	\$ 1,616,574	\$ 932,900
		Due to Government of Trinidad and Tobago		
149,435	175,729	- Royalties	177,177	151,152
151,655	137,344	- Taxes other than income taxes	138,718	152,610
8,228	12,888	Due to subsidiary company	--	--
108,390	--	Due to related parties	--	99,320
431,167	418,589	Benefits due to employees	418,589	431,167
<u>326,972</u>	<u>263,542</u>	Other payables	<u>263,884</u>	<u>326,976</u>
<u>\$ 2,095,970</u>	<u>\$ 2,622,430</u>		<u>\$ 2,614,942</u>	<u>\$ 2,094,125</u>

## 24 Bank Overdraft And Short-Term Loans

\$ 88,192	\$ 60,245	Bank overdraft	\$ 60,245	\$ 88,192
<u>973,029</u>	<u>--</u>	Short-term loans	<u>--</u>	<u>973,029</u>
<u>\$ 1,061,221</u>	<u>\$ 60,245</u>		<u>\$ 60,245</u>	<u>\$ 1,061,221</u>

- (i.) The bank overdraft is an amount for cheques written which have not yet been drawn on the bank account.
- (ii.) Short-term loans during the year were unsecured with effective interest rates ranging from 5.65% to 5.97% (2006: 5.84% to 6.04%) per annum. They had varying maturity dates of 28 to 120 days (2006: 30 to 60 days).

**Petroleum Company of Trinidad and Tobago Limited****September 30, 2007****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****25 Revenue**

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>			<b>September 30</b>	
<b>2006</b>	<b>2007</b>		<b>2007</b>	<b>2006</b>
\$ 24,051,458	\$ 24,824,659	Refined products sales	\$ 24,824,659	\$ 24,051,458
924,877	774,919	Natural gas sales	774,871	924,877
401,245	377,097	Crude oil sales	339,886	363,475
406,270	465,569	Royalty income	465,569	406,270
<u>42,870</u>	<u>35,682</u>	Natural gas liquids sales	<u>35,682</u>	<u>42,870</u>
<u>\$ 25,826,720</u>	<u>\$ 26,477,926</u>		<u>\$ 26,440,667</u>	<u>\$ 25,788,950</u>

**26 Other Operating Income**

\$ 53,139	\$ 68,882	Marine income	\$ 68,882	\$ 53,139
3,546	4,339	Processing fees	17,290	16,047
14,175	14,101	Income from utilities	14,101	14,175
96,400	--	Pension benefit income	--	96,400
43,367	--	Recoveries from subsidiary	--	--
13,130	18,694	Interest on receivables	18,694	13,130
<u>21,100</u>	<u>17,616</u>	Other income	<u>17,616</u>	<u>21,100</u>
<u>\$ 244,857</u>	<u>\$ 123,632</u>		<u>\$ 136,583</u>	<u>\$ 213,991</u>

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 27 Operating Profit

- (a) 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 continuing operations:

Parent September 30			Consolidated September 30	
2006	2007		2007	2006
Restated				Restated
\$ 15,369,421	\$ 16,620,223	Purchases (crude oil, refined products)	\$ 16,575,427	\$ 15,322,212
2,192,081	1,874,990	Supplemental petroleum taxes (SPT)	1,881,526	2,194,774
1,536,775	1,660,979	Employee benefits expense (excluding retirement benefits) (Note 28)	1,669,265	1,544,398
756,692	729,248	Royalties	730,196	757,876
268,889	236,628	Oil impost/Production Levy	236,951	268,895
239,586	(586,863)	Movement in inventories (included in 'Cost of Sales')	(586,734)	239,630
528,056	707,369	Amortisation of intangible assets (Note 6)	665,421	535,746
377,986	360,521	Depreciation (Note 5)	360,871	378,454
--	--	Depreciation and depletion on non-current asset held-for-sale	33,896	(6,525)
328,373	425,058	Materials expenditure	425,058	328,373
641,302	798,761	Contract services	797,363	637,459
375,247	378,119	Utilities	378,119	375,247
(190,378)	(171,497)	Own use credits	171,497	(190,378)
(96,400)	64,100	Pension benefit expense/(income) (Note 8)	64,100	(96,400)
88,700	102,300	Other post-employment benefits (Note 8)	102,300	88,700
232,682	261,532	Operating lease rental	261,532	232,682
2,896	84,177	Charge for bad and doubtful debts	84,177	2,896
79,802	32,152	Repairs and maintenance	32,687	80,933
25,853	26,344	Green fund levy	26,364	25,875
8,489	406	Increase in provision for inventory obsolescence	406	8,489
8,804	27,157	Loss on disposal of property, plant and equipment and intangible assets	27,159	8,804
6,311	(2,796)	(Gain)/Loss on foreign currency exchange	(2,796)	6,311
6,936	6,088	Directors and key management remuneration (Note 35)	6,088	6,936
(86,300)	(106,000)	Pension contributions paid	(106,000)	(86,300)
(45,000)	(49,200)	Medical contributions paid	(49,200)	(45,000)
92,474	93,248	Insurance	93,248	92,474
(8,917)	(97,365)	Interest on related parties receivables	(97,365)	(8,917)
(43,367)		Recoveries from subsidiary	--	--
(14,175)	(14,101)	Income from utilities	(14,101)	(14,175)
(53,139)	(68,882)	Marine income	(68,882)	(53,139)
(3,546)	(4,339)	Processing fees	(17,290)	(16,047)
53,746	(66,358)	Other (income) / expenses	(67,893)	53,843
<u>\$ 22,679,879</u>	<u>\$ 23,321,999</u>		<u>\$ 23,270,396</u>	<u>\$ 22,674,126</u>

**Petroleum Company of Trinidad and Tobago Limited****September 30, 2007****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****27 Operating Profit (continued)**

(b) The following reclassifications and restatements were made to the income statement for the financial year 2006:

	Originally reported	Parent		Restated
		Reclassifications	Restatements	
	\$	\$	\$	\$
Revenue	25,826,720	--	--	25,826,720
Cost of sales	<u>(21,077,182)</u>	<u>(1,008,493)</u>	<u>--</u>	<u>(22,085,675)</u>
<b>Gross profit</b>	<b>4,749,538</b>	<b>(1,008,493)</b>	<b>--</b>	<b>3,741,045</b>
Administrative expenses	(1,239,945)	540,744	6,300	(692,901)
Marketing expenses	(108,430)	--	--	(108,430)
Other operating expenses	(317,307)	279,577	--	(37,730)
Other operating income	<u>56,685</u>	<u>188,172</u>	<u>--</u>	<u>244,857</u>
<b>Operating profit</b>	<b><u>3,140,541</u></b>	<b><u>--</u></b>	<b><u>6,300</u></b>	<b><u>3,146,841</u></b>
Finance income	53,274	--	--	53,274
Finance costs	<u>(334,314)</u>	<u>--</u>	<u>--</u>	<u>(334,314)</u>
Finance costs-net	<u>(281,040)</u>	<u>--</u>	<u>--</u>	<u>(281,040)</u>
<b>Profit before tax</b>	<b>2,859,501</b>	<b>--</b>	<b>6,300</b>	<b>2,865,801</b>
Tax	<u>(1,340,868)</u>	<u>--</u>	<u>(4,200)</u>	<u>(1,522,833)</u>
<b>Profit for the year</b>	<b><u>1,340,868</u></b>	<b><u>--</u></b>	<b><u>2,100</u></b>	<b><u>1,342,968</u></b>

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**27 Operating Profit (continued)**

(b) The following reclassifications and restatements were made to the income statement for the financial year 2006 (continued):

	Originally reported	Consolidated		Restated
		Reclassifications	Restatements	
	\$	\$	\$	\$
Revenue	25,826,720	(37,770)	--	25,788,950
Cost of sales	<u>(21,076,348)</u>	<u>(972,610)</u>	<u>--</u>	<u>(22,048,958)</u>
<b>Gross profit</b>	<b>4,750,372</b>	<b>(1,010,380)</b>	<b>--</b>	<b>3,739,992</b>
Administrative expenses	(1,240,744)	541,257	6,300	(693,187)
Marketing expenses	(108,430)	--	--	(108,430)
Other operating expenses	(366,038)	328,496	--	(37,542)
Other operating income	<u>120,147</u>	<u>93,844</u>	<u>--</u>	<u>213,991</u>
<b>Operating profit</b>	<b><u>3,155,307</u></b>	<b><u>(46,783)</u></b>	<b><u>6,300</u></b>	<b><u>3,108,524</u></b>
Finance income	55,908	--	--	55,908
Finance costs	<u>(341,204)</u>	<u>5,512</u>	<u>--</u>	<u>(335,692)</u>
Finance costs – net	<u>(285,296)</u>	<u>5,512</u>	<u>--</u>	<u>(279,784)</u>
<b>Profit before tax</b>	<b>2,870,011</b>	<b>(41,271)</b>	<b>6,300</b>	<b>2,835,040</b>
Tax	<u>(1,556,107)</u>	<u>29,975</u>	<u>(4,200)</u>	<u>(1,530,332)</u>
Profit for the year from continuing operations	1,313,904	(11,296)	2,100	1,304,708
Profit for the year from discontinued operations	<u>--</u>	<u>11,296</u>	<u>--</u>	<u>11,296</u>
<b>Profit for the year</b>	<b><u>1,313,904</u></b>	<b><u>--</u></b>	<b><u>2,100</u></b>	<b><u>1,316,004</u></b>

These reclassifications had no effect on the operating results for the financial year 2006. However, administrative expenses and deferred taxes were restated for the change in retirement benefit obligation (See Note 2.2).

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**28 Employee Benefits Expense (excluding retirement benefits)**

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>			<b>September 30</b>	
<b>2006</b>	<b>2007</b>		<b>2007</b>	<b>2006</b>
<b>Restated</b>				<b>Restated</b>
\$ 921,431	\$ 996,282	Salaries and wages benefits	\$ 1,004,568	\$ 929,054
295,569	294,989	Allowances	294,989	295,569
156,721	185,460	Overtime	185,460	156,721
41,185	50,656	Other personnel costs	50,656	41,185
40,822	51,947	Medical services	51,947	40,822
17,938	17,219	Travel plan	17,219	17,938
		Voluntary Selective		
6,091	3,686	Separation Plan	3,686	6,091
16,534	19,254	Housing aid	19,254	16,534
20,906	21,279	Savings plan	21,279	20,906
19,578	20,207	National Insurance	20,207	19,578
<u>\$ 1,536,775</u>	<u>\$ 1,660,979</u>		<u>\$ 1,669,265</u>	<u>\$ 1,544,398</u>

**29 Finance income and costs**

\$ (131,870)	\$ (133,849)	Interest expense:		
		- Bank borrowings	\$ (133,849)	\$ (131,870)
		- Finance charge on		
		decommissioning costs		
<u>(202,444)</u>	<u>(212,930)</u>	(Notes 19 and 22)	<u>(214,300)</u>	<u>(203,822)</u>
\$ (334,314)	\$ (346,779)	Finance costs	\$ (348,149)	\$ (335,692)
		Finance income:		
		- Interest on short-term		
		investments	<u>88,310</u>	<u>55,908</u>
<u>\$ (281,040)</u>	<u>\$ (261,417)</u>	Finance costs - net	<u>\$ (259,839)</u>	<u>\$ (279,784)</u>

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**30 Tax**

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>			<b>September 30</b>	
<b>2006</b>	<b>2007</b>		<b>2007</b>	<b>2006</b>
<b>Restated</b>				<b>Restated</b>
\$ 1,507,750	\$ 1,382,252	Current tax	\$ 1,417,052	\$ 1,543,606
--	40,227	Prior year tax	42,978	--
<u>15,083</u>	<u>202,141</u>	Deferred tax	<u>201,556</u>	<u>16,701</u>
<u>\$ 1,522,833</u>	<u>\$ 1,624,620</u>		<u>\$ 1,661,586</u>	<u>\$ 1,560,307</u>
\$ 1,522,833	\$ 1,624,620	Tax from continuing operations	\$ 1,632,523	\$ 1,530,332
--	--	Tax from discontinued operations (Note 19)	<u>29,063</u>	<u>29,975</u>
<u>\$ 1,522,833</u>	<u>\$ 1,624,620</u>		<u>\$ 1,661,586</u>	<u>\$ 1,560,307</u>

The prior year under provision in tax resulted from assessments made by the Board of Inland Revenue on the income of the Parent and subsidiary Trintomar for the financial year 2001.

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 of the consolidated companies as follows:

\$ 2,865,801	\$ 2,854,405	Profit before tax from continuing operations	\$ 2,870,327	\$ 2,835,040
--	--	Profit before tax from discontinued operations (Note 19)	<u>85,200</u>	<u>41,271</u>
<u>\$ 2,865,801</u>	<u>\$ 2,854,405</u>	Profit before tax	<u>\$ 2,955,527</u>	<u>\$ 2,876,311</u>
\$(1,576,191)	\$(1,569,923)	Tax calculated at a rate of 55%	\$ (1,625,540)	\$ (1,581,971)
(70,582)	(68,040)	- Expenses not deductible for tax purposes	(64,215)	(78,633)
87,846	--	- Income not subject to tax	15,868	64,243
--	(40,227)	- Prior year tax	(42,978)	--
(40,503)	65,110	- Effect of difference on initial recognition of asset	65,110	(40,543)
71,521	--	- Allowable tax deductions not in income	--	71,521
5,076	20,906	- R&M deferred taxes rate reduction	21,681	5,076
<u>--</u>	<u>(32,446)</u>	- Difference due to translation	<u>(31,512)</u>	<u>--</u>
<u>\$(1,522,833)</u>	<u>\$(1,624,620)</u>		<u>\$ (1,661,586)</u>	<u>\$ (1,560,307)</u>

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

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## 31 Financial Instruments

### Fair values

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

## 32 Exchange Rates

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:

	2007	2006
Year-end	6.31665	6.27925
Average rate during the year	6.29577	6.27584

## 33 Contingent Liabilities

### (i) Housing loan guarantee

The Group has guaranteed mortgage-housing loans amounting to approximately \$17,800 (2006: \$19,947) made by various financial institutions to its employees participating in the housing aid scheme operated by the Group.

### (ii) Contractors' claims

Contractors' claims against the Group amounted to \$213 (2006: \$14,016).

The Group disputes both the quantum and bases for these claims. The determination of the outcome of these claims is unpredictable and accordingly no provision in respect of the above matters has been made in these financial statements.

### (iii) Litigation

On June 15, 1989, a claim was filed against a company within the Group alleging breach of a contract. The claimant has alleged losses amounting to TT\$18,894. As at September 30, 2007 no provision was made in these financial statements for loss, if any, which may occur as a result of this litigation.

Subsequent to the year-end (November 2007), this claim was settled out of court with a payment of \$1,607 in full and final settlement inclusive of interest and costs against the subsidiary.

### (iv) 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.

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 33 Contingent Liabilities (continued)

### (v) 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 parent company has provided a guarantee of financial support in the event Trintomar cannot meet its normal operating commitment.

## 34 Commitments

### (i) Capital commitments

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

Parent			Consolidated	
September 30	September 30		September 30	September 30
2006	2007		2007	2006
\$ 398,817	\$ 852,711	Property, plant and equipment	\$ 852,711	\$ 398,817

### (ii) Operating lease commitments – where a Group Company is the lessee

The Group leases certain drilling equipment under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 27.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

\$ 16,698	\$ 13,584	Not later than 1 year	\$ 13,584	\$ 16,698
11,418	--	Later than 1 year and no later than 5 years	--	11,418
<u>\$ 28,116</u>	<u>\$ 13,584</u>		<u>\$ 13,584</u>	<u>\$ 28,116</u>

### (iii) Sales commitments

The Group has entered into long-term sales contracts with a number of its customers. At the balance sheet date these amounted to approximately \$7,463,777 (2006: \$9,952,035). 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.

### (iv) Purchases commitments

The Group has entered into purchase contracts with suppliers. At the balance sheet date these amounted to \$ nil (2006: \$ nil).

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 35 Related Party Transactions

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

Most significant transactions concern:

- Sale of refined products to National Petroleum Company of Trinidad and Tobago Limited.
- Purchase of natural gas to The National Gas Company of Trinidad and Tobago Limited
- Provision of managerial and administrative services to subsidiaries
- The exploration for and production of crude oil and natural gas through joint ventures.

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

At September 30, 2007

Name of Company/Equity	Receivables \$	Payables \$	Guarantees \$	Commitments \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and other Government take	--	1,199,298	--	--
-Other	17,291	137,344	--	--
<b><u>Entities controlled by Parent</u></b>				
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	13,453	7,765	--	--
Petrotrin EAP Services Limited (PEAPSL)	--	36	--	--
<b><u>Entities under common control</u></b>				
National Petroleum Company of Trinidad and Tobago Limited	1,144,531	--	--	--
The National Gas Company of Trinidad and Tobago Limited	2,339	--	--	--
<b><u>Joint Ventures</u></b>				
Block 9 – Offshore	91,339	3,424	--	--
Brighton Marine – Sub-Area A	1,054	6,446	--	--
Central Farm out Block	3,380	41,052	--	--
Moruga West	--	2,584	--	--
Pointe Ligoure	--	1,336	--	--
South East Coast Consortium	58,596	143,496	--	--
South West Peninsula	--	494	--	--
Parrylands 'E' Block	--	1,015	--	--
Teak, Samaan, Poui (TSP)	76,908	--	--	--
<b><u>Jointly controlled entities</u></b>				
World GTL (Trinidad) Ltd	10,601			
World GTL Inc	63,521	--	--	--

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**35 Related Party Transactions (continued)**

**Year ended September 30, 2007**

<b>Name of Company/Equity</b>	<b>Cost</b>		<b>Revenue</b>	
	<b>Goods \$</b>	<b>Services \$</b>	<b>Goods \$</b>	<b>Services \$</b>
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	4,026,717	--	--
- Other	--	262,972	--	--
<b><u>Entities controlled by Parent</u></b>				
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	44,844	--	--	23,411
Petrotrin EAP Services Limited (PEAPSL)	--	86	--	--
<b><u>Entities under common control</u></b>				
National Petroleum Company of Trinidad and Tobago Limited	--	--	4,076,775	181,956
The National Gas Company of Trinidad and Tobago Limited	125,751	--	--	--
 <b><u>Joint Ventures</u></b>				
	<b>Operating expenses</b>	<b>Capital expenditure</b>	<b>Goods</b>	<b>Services</b>
	\$	\$	\$	\$
Block 9 – Offshore	28,359	355,374	764,709	--
Central Farm out Block	14,117	143,029	26,977	--
Moruga West	2,474	59	15,176	--
Pointe Ligoure	761	(1)	13,804	--
South East Coast Consortium	21,223	149,750	90,708	--
South West Peninsula	3,127	(1,257)	622	--
Parrylands ‘E’ Block	1,450	--	2,779	--
Eastern Block	--	341	--	--
Teak, Samaan, Poui (TSP)	102,968	110,576	377,097	--
Block 1a/1b	--	400	--	--
Block 22	--	18,149	--	--
Block 3A	--	18,089	--	--
Mayaro/Guayaguayare Block	--	130	--	--

**Petroleum Company of Trinidad and Tobago Limited****September 30, 2007****Notes to the Consolidated Financial Statements (continued)****(Presented in Thousands of Trinidad and Tobago dollars)****35 Related Party Transactions (continued)****At September 30, 2006**

<b>Name of Company/Equity</b>	<b>Receivables</b>	<b>Payables</b>	<b>Guarantees</b>	<b>Commitments</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
The Government of the Republic of Trinidad and Tobago (GORTT)				
-Taxes and other Government take	1,108,422	632,576	--	--
-Other	28,404	151,655	--	--
<b><u>Entities controlled by Parent</u></b>				
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	15,787	8,228	--	--
Petrotrin EAP Services Limited (PEAPSL)	--	101	--	--
<b><u>Entities under common control</u></b>				
National Petroleum Company of Trinidad and Tobago Limited	968,596	--	--	--
The National Gas Company of Trinidad & Tobago Limited	521	--	--	--
<b><u>Joint Ventures</u></b>				
Block 9 – Offshore	96,654	527	--	--
Brighton Marine – Sub-Area A	996	6,083	--	--
Central Farm out Block	--	6,321	--	--
Moruga West	--	2,622	--	--
Pointe Ligoure	--	966	--	--
South East Coast Consortium	68,392	83,963	--	--
South West Peninsula	--	7,058	--	--
Parrylands 'E' Block	--	908	--	--
Teak, Samaan, Poui (TSP)	69,189	--	--	--

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**35 Related Party Transactions (continued)**

Name of Company/Equity	Year ended September 30, 2006			
	Cost		Revenue	
	Goods \$	Services \$	Goods \$	Services \$
The Government of the Republic of Trinidad and Tobago (GORTT)				
- Taxes	--	4,456,523	--	--
- Other	--	294,742	--	--
<b><u>Entities controlled by Parent</u></b>				
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	47,209	--	--	25,453
Petrotrin EAP Services Limited (PEAPSL)	--	667	--	--
<b><u>Entities under common control</u></b>				
National Petroleum Company of Trinidad and Tobago Limited	--	--	3,949,672	89,691
The National Gas Company of Trinidad and Tobago Limited	90,792	--	--	--
 <b><u>Joint Ventures</u></b>				
	<b>Operating expenses</b>	<b>Capital expenditure</b>	<b>Goods</b>	<b>Services</b>
	\$	\$	\$	\$
Block 9 – Offshore	20,548	191,652	931,113	--
Central Farm out Block	25,517	84,238	29,533	--
Moruga West	2,546	230	18,039	--
Pointe Ligoure	1,594	272	12,419	--
South East Coast Consortium	22,223	55,470	308,736	--
South West Peninsula	2,920	756	682	--
Parrylands 'E' Block	1,193	--	3,164	--
Eastern Block	--	296	--	--
Teak, Samaan, Poui (TSP)	122,438	6,371	401,385	--
Block 1a/1b	--	380	--	--
Block 22	--	18,924	--	--
Block 3A	--	9,000	--	--
Mayaro/Guayaguayare Block	--	120	--	--

# Petroleum Company of Trinidad and Tobago Limited

September 30, 2007

Notes to the Consolidated Financial Statements (continued)

(Presented in Thousands of Trinidad and Tobago dollars)

## 35 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:

	<b>Short-term employee benefits</b>
For the year ended September 30, 2007	\$6,088
For the year ended September 30, 2006	\$6,936

## 36 Interest In Joint Ventures

The Group has a shared control in the following ventures:

	<b>Parent and Consolidated</b>	
	<b>September 30</b>	
	<b>2007</b>	<b>2006</b>
	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%	--
World GTL Trinidad Limited	49.00%	49.00%

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

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**36 Interest In Joint Ventures (continued)**

The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of the joint ventures and are included in the consolidated balance sheet and income statements.

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>			<b>September 30</b>	
<b>2006</b>	<b>2007</b>		<b>2007</b>	<b>2006</b>
<b>Restated</b>				<b>Restated</b>
		<b>Assets</b>		
\$ 1,313,652	\$ 2,180,638	Property, plant and equipment	\$ 2,180,638	\$ 1,413,088
62,793	82,863	Other long-term assets	82,863	62,793
<u>5,040</u>	<u>8,145</u>	Current assets	<u>8,145</u>	<u>5,040</u>
<u>1,381,485</u>	<u>2,271,646</u>		<u>2,271,646</u>	<u>1,480,921</u>
		<b>Liabilities</b>		
<u>(137,099)</u>	<u>(9,008)</u>	Accrued liabilities	<u>(9,008)</u>	<u>(137,099)</u>
<u>1,244,386</u>	<u>2,262,638</u>		<u>2,262,638</u>	<u>1,343,822</u>
<u>1,473,374</u>	<u>1,291,872</u>	Sales	<u>1,291,872</u>	<u>1,473,374</u>
937,740	729,121	Profit before tax	729,121	937,740
<u>(509,249)</u>	<u>(401,072)</u>	Income taxes	<u>(401,072)</u>	<u>(509,249)</u>
<u>\$ 428,491</u>	<u>\$ 328,049</u>	Profit after tax	<u>\$ 328,049</u>	<u>\$ 428,491</u>

Capital commitments for the various joint ventures are \$291,248 (2006: \$222,668). There are no contingencies related to the Group's interest in the joint ventures. The average number of employees in the joint ventures in 2007 was 104 (2006: 104).

**Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

**37 Cash Generated From Operations**

Reconciliation of profit before tax to cash generated from operations:

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>			<b>September 30</b>	
<b>2006</b>	<b>2007</b>		<b>2007</b>	<b>2006</b>
<b>Restated</b>				<b>Restated</b>
		<b>Operating Activities</b>		
		Profit before tax from continuing operations	\$ 2,870,327	\$ 2,835,040
\$ 2,865,801	\$ 2,854,405	Profit before tax from discontinued operations	<u>85,200</u>	<u>41,271</u>
<u>--</u>	<u>--</u>		<u>\$ 2,955,527</u>	<u>\$ 2,876,311</u>
\$ 2,865,801	\$ 2,854,405	<b>Adjustments for:</b>		
528,056	707,369	Amortisation of intangible assets	665,421	535,746
(12,828)	(22,109)	Write back of decommissioning provision	(22,109)	(12,828)
377,986	360,521	Depreciation	360,871	378,454
3,820	(6,946)	Foreign currency translation (gain) / loss	(6,946)	3,820
334,313	346,779	Finance costs	353,630	341,204
--	--	Impact of license extension re: dismantlement assets	(452)	--
(53,274)	(85,362)	Finance income	(88,310)	(55,908)
8,804	27,157	Loss on disposal of property, plant and equipment and intangible assets	27,159	8,804
62	--	Loss on investments in subsidiaries	--	--
(96,400)	64,100	Pension expense / (income)	64,100	(96,400)
88,700	102,300	Post-employment medical benefit expenses	102,300	88,700
2,192,081	1,874,990	Taxes other than income taxes	1,887,899	2,205,544
(86,300)	(106,000)	Pension contributions paid	(106,000)	(86,300)
(45,000)	(49,200)	Post-employment medical benefits paid	(49,200)	(45,000)
970,284	(1,094,856)	<b>Changes in working capital:</b>		
225,266	(609,945)	Accounts receivable	(1,082,868)	964,343
<u>(946,185)</u>	<u>(152,369)</u>	Inventories	(609,816)	225,310
		Other liabilities	<u>(158,014)</u>	<u>(946,872)</u>
<u>\$ 6,355,186</u>	<u>\$ 4,210,834</u>	<b>Cash Generated From Operations</b>	<u>\$ 4,293,192</u>	<u>\$ 6,384,928</u>

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

8,871	\$ 27,664	Net book value (Notes 5 and 6)	\$ 27,668	\$ 8,871
<u>(8,804)</u>	<u>(27,157)</u>	Loss on disposals	<u>(27,159)</u>	<u>(8,804)</u>
<u>\$ 67</u>	<u>\$ 507</u>	Proceeds from sales	<u>\$ 509</u>	<u>\$ 67</u>

# **Petroleum Company of Trinidad and Tobago Limited**

**September 30, 2007**

**Notes to the Consolidated Financial Statements (continued)**

**(Presented in Thousands of Trinidad and Tobago dollars)**

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## **38 Subsequent Event**

In January 2008, the Government of the Republic of Trinidad and Tobago approved the sale of 80% of the share of certain assets in Trintomar to EOG Resources Trinidad Limited. The execution of this Sale and Purchase Agreement was effected by both parties on February 29, 2008, and the financial transactions related to the sale of these assets (excluding the sale of condensate and the transportation of Osprey Hydrocarbons) are to be adjusted retroactive to April 1, 2007 to reflect the transaction as if the sale had been effected on that earlier date.

The balance sheet and income statement related to Trintomar have been presented as held-for-sale in accordance with IFRS 5.