

**Petroleum Company of Trinidad and Tobago Limited**

**Consolidated Financial Statements**

**September 30 2002**

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

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## **Auditors' Report**

To the members of  
Petroleum Company of Trinidad and Tobago Limited

We have audited the accompanying balance sheet of Petroleum Company of Trinidad and Tobago Limited (the Company) and its subsidiary (the Group) as of September 30, 2002 and the related income and cash flow statement for the year then ended, as set out on pages 2 to 40. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of September 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Chartered Accountants  
Port of Spain  
Trinidad, West Indies  
March 31, 2003

# Petroleum Company of Trinidad and Tobago Limited

## Consolidated Income Statement

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent Year ended September 30			Consolidated Year ended September 30	
2001	2002	Notes	2002	2001
\$10,955,395	\$ 8,453,119		\$ 8,453,119	\$10,955,395
<u>(8,357,177)</u>	<u>(6,252,772)</u>		<u>(6,254,040)</u>	<u>(8,358,662)</u>
2,598,218	2,200,347		2,199,079	2,596,733
<u>4,896</u>	<u>5,102</u>		<u>29,640</u>	<u>29,540</u>
2,603,114	2,205,449		2,228,719	2,626,273
(10,925)	(8,382)		(8,382)	(10,925)
(739,487)	(583,292)		(583,736)	(740,006)
<u>(1,263,673)</u>	<u>(1,331,850)</u>		<u>(1,338,062)</u>	<u>(1,269,124)</u>
589,029	281,925	2	298,539	606,218
(315,753)	(342,366)	4	(348,982)	(326,508)
17,032	6,833		9,575	19,978
<u>--</u>	<u>27,594</u>		<u>--</u>	<u>--</u>
290,308	(26,014)		(40,868)	299,688
<u>(211,900)</u>	<u>27,975</u>	5	<u>26,014</u>	<u>(226,651)</u>
<b><u>\$ 78,408</u></b>	<b><u>\$ 1,961</u></b>		<b><u>\$ (14,854)</u></b>	<b><u>\$ 73,037</u></b>

The accounting policies on pages 6 to 13 and the notes on pages 14 to 40 form an integral part of these financial statements.

# Petroleum Company of Trinidad and Tobago Limited

## Consolidated Balance Sheet

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent				Consolidated	
September 30	September 30		Notes	September 30	September 30
2001	2002			2002	2001
<b>ASSETS</b>					
<b>Non-current assets</b>					
\$ 5,962,946	\$ 5,750,465	Property, plant and equipment	6	\$ 5,763,630	\$ 5,974,063
345,915	313,985	Intangible asset	7	313,985	345,915
82,904	56,446	Investments - held to maturity	8	56,446	82,904
6,560	6,548	Investments - available for sale	9	6,548	6,560
2,284	2,284	Investments in subsidiaries	10	2,281	2,281
19,724	--	Loan receivable	11	--	19,724
1,183,085	1,234,287	Deferred tax assets	12	1,470,559	1,426,558
<u>735,082</u>	<u>744,948</u>	Taxes recoverable		<u>746,505</u>	<u>736,351</u>
<u>8,338,500</u>	<u>8,108,963</u>			<u>8,359,954</u>	<u>8,594,356</u>
<b>Current assets</b>					
828,288	945,786	Inventories	13	946,134	828,429
100,402	23,568	Loan receivable	11	23,568	100,402
1,096,876	1,325,936	Receivables and prepayments	14	1,317,203	1,083,652
<u>256,094</u>	<u>259,349</u>	Cash and cash equivalents	15	<u>292,309</u>	<u>313,193</u>
<u>2,281,660</u>	<u>2,554,639</u>			<u>2,579,214</u>	<u>2,325,676</u>
<b><u>\$10,620,160</u></b>	<b><u>\$10,663,602</u></b>	<b>Total assets</b>		<b><u>\$ 10,939,168</u></b>	<b><u>\$10,920,032</u></b>
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholder's Equity</b>					
\$ 2,272,274	\$ 2,272,274	Share capital	16	\$ 2,272,274	\$ 2,272,274
<u>1,166,807</u>	<u>1,103,768</u>	Retained earnings		<u>1,230,877</u>	<u>1,310,731</u>
<u>3,439,081</u>	<u>3,376,042</u>			<u>3,503,151</u>	<u>3,583,005</u>
<b>Non-current liabilities</b>					
1,084,008	1,823,873	Borrowings	17	1,922,282	1,188,022
1,684,768	1,701,233	Deferred tax liabilities	12	1,701,375	1,691,102
269,616	282,755	Retirement benefit obligations	18	282,755	269,616
<u>814,907</u>	<u>736,689</u>	Provisions	19	<u>787,409</u>	<u>859,011</u>
<u>3,853,299</u>	<u>4,544,550</u>			<u>4,693,821</u>	<u>4,007,751</u>
<b>Current liabilities</b>					
1,112,520	1,105,805	Trade and other payables	20	1,104,564	1,113,010
55,916	150,077	Taxation payable		150,504	56,922
247,199	222,829	Borrowings	17	222,829	247,199
<u>1,912,145</u>	<u>1,264,299</u>	Bank overdraft and short-term loans	21	<u>1,264,299</u>	<u>1,912,145</u>
<u>3,327,780</u>	<u>2,743,010</u>			<u>2,742,196</u>	<u>3,329,276</u>
<b><u>\$10,620,160</u></b>	<b><u>\$10,663,602</u></b>	<b>Total equity and liabilities</b>		<b><u>\$ 10,939,168</u></b>	<b><u>\$10,920,032</u></b>

The accounting policies on pages 6 to 13 and the notes on pages 14 to 40 form an integral part of these financial statements.

On March 31, 2003 Petroleum Company of Trinidad and Tobago Group's Board of Directors authorised these financial statements for issue.

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Director

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Director

# Petroleum Company of Trinidad and Tobago Limited

## Consolidated Statement Of Changes In Equity

(Expressed in Thousands of Trinidad and Tobago dollars)

<b>Parent</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance at September 30 2001</b>	\$ 2,272,274	\$ 1,166,807	\$ 3,439,081
Net profit	--	1,961	1,961
Dividend			
- related to 2000 (final)	--	(45,000)	(45,000)
- related to 2001 (interim)	--	(20,000)	(20,000)
<b>Balance at September 30 2002</b>	<b><u>\$ 2,272,274</u></b>	<b><u>\$ 1,103,768</u></b>	<b><u>\$3,376,042</u></b>
<b>Consolidated</b>			
<b>Balance at September 30 2001</b>	\$ 2,272,274	\$ 1,310,731	\$3,583,005
Net loss	--	(14,854)	(14,854)
Dividend			
- related to 2000 (final)	--	(45,000)	(45,000)
- related to 2001 (interim)	--	(20,000)	(20,000)
<b>Balance at September 30 2002</b>	<b><u>\$ 2,272,274</u></b>	<b><u>\$ 1,230,877</u></b>	<b><u>\$3,503,151</u></b>

The accounting policies on pages 6 to 13 and the notes on pages 14 to 40 form an integral part of these financial statements.

# Petroleum Company of Trinidad and Tobago Limited

## Consolidated Cash Flow Statement

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent			Consolidated	
Year ended			Year ended	
September 30			September 30	
2001	2002	Notes	2002	2001
		<b>Cash flow from operating activities:</b>		
\$ 1,624,669	\$ 1,152,659	Cash generated from operations 29	\$ 1,138,776	\$ 1,655,987
(241,706)	(244,673)	Interest paid	(244,673)	(241,706)
(667,515)	(302,440)	Tax paid	(305,109)	(672,118)
(65,708)	(57,859)	Pension contributions paid	(57,859)	(65,708)
(9,535)	(9,680)	Post retirement medical benefits paid	(9,680)	(9,535)
<b>640,205</b>	<b>538,007</b>	<b>Net cash from operating activities</b>	<b>521,455</b>	<b>666,920</b>
		<b>Investing activities:</b>		
(816,586)	(506,272)	Additions to property, plant and equipment	(509,134)	(817,747)
(607)	--	Acquisition of one-third share of joint venture	--	(607)
883	--	Proceeds from disposal of property, plant and equipment	--	883
26,790	25,426	Investments - held to maturity	25,426	26,790
(1,888)	12	Investments - available for sale	12	(1,888)
(1,509)	--	Investments and subsidiaries	--	(1,509)
(168,553)	(3,811)	Loan receivable	(3,811)	(168,553)
17,032	6,833	Interest received	9,700	19,978
<b>(944,438)</b>	<b>(477,812)</b>	<b>Net cash used in investing activities</b>	<b>(477,807)</b>	<b>(942,653)</b>
		<b>Financing Activities:</b>		
(248,073)	(254,215)	Repayments of advances for project funding	(254,215)	(248,073)
--	936,405	Proceeds from other long term loans	936,405	--
--	--	Repayment of other long term loans	(7,592)	--
(721,659)	--	Other liabilities	--	(721,659)
1,296,775	(621,377)	(Repayment)/proceeds of short term loans	(621,377)	1,296,775
--	(65,000)	Dividends paid to Group shareholders	(65,000)	--
<b>327,043</b>	<b>(4,187)</b>	<b>Net cash (used in)/provided by financing activities</b>	<b>(11,779)</b>	<b>327,043</b>
<b>22,810</b>	<b>56,008</b>	<b>Increase in cash and cash equivalents</b>	<b>31,869</b>	<b>51,310</b>
154,816	177,626	Cash and cash equivalents at start of year	234,725	183,415
<b>\$ 177,626</b>	<b>\$ 233,634</b>	<b>Cash and cash equivalents at end of year</b>	<b>\$ 266,594</b>	<b>\$ 234,725</b>

The accounting policies on pages 6 to 13 and the notes on pages 14 to 40 form an integral part of these financial statements.

# Petroleum Company of Trinidad and Tobago Limited

## Accounting Policies

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

### A Basis of preparation

The consolidated financial statements are prepared under the historical cost convention in accordance with and comply with International Accounting Standards. As there is no equivalent International Accounting Standard, the Group accounts for costs incurred in its natural gas and crude oil producing activities in accordance with the provisions of Canadian Institute of Chartered Accountants, Accounting guidelines - #5 Full Cost Accounting in the Oil and Gas Industry.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

### B Group Accounting

#### (1) Subsidiaries

Subsidiaries which are those entities (including Special Purpose Entities) in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See note D for the accounting policy of goodwill. Inter company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

#### (2) Joint ventures

The Group's interest in jointly controlled entities 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 venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

# Petroleum Company of Trinidad and Tobago Limited

## Accounting Policies (continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### B Group Accounting (Continued)

#### (3) Foreign currency translation

##### (i) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“the measurement currency”). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the measurement currency of the parent.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the measurement 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 of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses.

### C Property, plant and equipment

#### (1) Oil and Gas operations

The Group accounts for its natural gas and crude oil exploration, development and production activities under the full cost method of accounting.

Under this method all costs associated with the exploration for and development of oil and gas reserves are capitalised. These costs include land acquisition costs, geological and geophysical costs, interest and the carrying costs of non-producing properties, cost of drilling productive and non-productive wells, administration costs related to exploration and development activities and related plant and equipment costs, but do not include any cost related to production, general corporate overheads or similar activities. The cost also includes the estimated cost of dismantlement, asset removal and site restoration.

The provision for depletion and amortisation is determined using the company-wide-unit-of-production method based upon the estimated proved developed reserves of oil and gas, as determined by an independent petroleum consultant. Costs associated with the acquisition and evaluation of significant unproved properties are excluded from amounts subject to depletion until such time as the properties are proved or become impaired.

Oil and gas properties are subject to a ceiling test under which their carrying value, net of deferred income taxes, is limited to the undiscounted future net revenue from production of estimated proven oil and gas reserves, based on an average of prices during the year, less estimated future development, administration and operating costs and taxation. Gains and losses on sale or other disposal of oil and gas properties are not recognised unless significant amounts of oil and gas reserves are involved.

Depreciation and amortisation of non-oil and gas assets is designed to write off the assets over their estimated useful lives at the following rates and methods:

Manufacturing plant and equipment	- 3.75% - 10%	- straight line
Floating property	- 20%	- on declining balance
Transportation equipment	- 20%	- on declining balance

# Petroleum Company of Trinidad and Tobago Limited

## Accounting Policies (continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### C Property, plant and equipment (continued)

#### (1) Oil and Gas operations (continued)

Furniture and fixtures	- 20%	- on declining balance
Buildings	- 5%	- on declining balance
Other supporting equipment and facilities	- 27.5%	- in the first year and - 7.5% on a declining balance for subsequent years.

Land is not depreciated as it is deemed to have an indefinite life.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset, during the period of time that is required to complete and prepare the property for its intended use.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Major inspection and overhaul costs include expenditure incurred in Testing and Inspection work carried out in Manufacturing, Plant and Equipment and Catalyst costs. These costs are incurred at regular intervals over the useful life of the asset and are made to allow the continued use of the asset. These costs are accounted for as a component of the asset and are written off over the period to the next Testing and Inspection as follows:

Testing and Inspection expenditure	3-5 years	Straight-line
Catalyst cost	4 years	Straight-line

When the carrying amount of a non-oil and gas asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

#### (2) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recognised. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years.

# Petroleum Company of Trinidad and Tobago Limited

## Accounting Policies (continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### D Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired joint venture undertaking at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life of twelve (12) years. The useful economic life of goodwill is based on the remaining lease term. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written-down immediately to its recoverable amount.

### E Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### F Investments

The Group classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investment at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and are included in current assets; for the purpose of these financial statements short term is defined as three months. Investments with fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within twelve months from the balance sheet date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. Unrealised gain and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. The fair value of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

# Petroleum Company of Trinidad and Tobago Limited

## Accounting Policies (continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### **G Leases**

#### **Operating leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease costs are expensed as incurred.

### **H Inventories**

Inventories of crude oil and refined products are valued at the lower of cost and net realisable value.

The cost of purchased crude oil is computed using the current month's average cost.

The cost of produced crude oil is computed on the basis of the current month's production costs.

The cost of refined products is computed on the basis of the current month's total product cost. The total product cost is comprised of the production cost of own crude, the purchase 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 quoted refinery sales prices as quoted in the 'Caribbean Postings' and the 'Platts Oilgram' at the close of the reporting period.

Inventories of materials, supplies and others, are valued at the lower of average cost and net realisable value. The average cost is the purchase cost of the materials, supplies and others. The net realisable value is the selling price net of selling expenses of the materials, supplies and other.

### **I Trade receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

### **J Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

### **K Borrowings**

Borrowings are recognised initially at the proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

# Petroleum Company of Trinidad and Tobago Limited

## Accounting Policies (continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### **L Deferred income taxes**

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from depreciation on property, plant and equipment and tax losses carried forward. Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses 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 can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### **M Employee benefits**

#### **(1) Pension obligations**

Retirement benefits for employees are provided through seven 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 to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

#### **(2) Other post-retirement obligations**

The company provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually based 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. These obligations are valued by independent qualified actuaries.

# Petroleum Company of Trinidad and Tobago Limited

## Accounting Policies (continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### **N Provisions**

Provisions 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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring provisions comprise lease termination penalties and employee termination payments and are recognised in the period in which the Group becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Group are not provided in advance.

#### **(1) Dismantlement costs**

Provision is for the net present value of the estimated cost of dismantling at the end of the producing lives of fields or useful life of storage facilities and the refinery. The gross discounted provision was computed and no adjustment was made to the dismantlement cost for salvage values.

As the liability draws closer to settlement, the impact of the unwinding of the discount rate is included within finance costs.

### **O Revenue recognition**

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

Other revenues earned by the Group are recognised on the following bases:

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

Interest income – as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

### **P Dividends**

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

# Petroleum Company of Trinidad and Tobago Limited

## Accounting Policies (continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### **Q Financial instruments**

Financial instruments carried on the balance sheet include cash, investments, trade receivables and payables, other receivables and payables, short term and floating rate long term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### **R Financial Risk Management**

#### **(1) Objectives and significant terms and conditions**

In order to manage the risks arising from fluctuations in currency exchange rates, interest rates and commodity prices, the Group make use of the following approaches:

##### **(a) Interest rate exposure management**

Gap analysis is used to measure interest rate exposure. Assets and liabilities are placed in maturity buckets, based on their contractual maturities or repricing dates. If more liabilities than assets are repriced in a given price interval, a liability sensitive gap position arises. If the increase in interest costs is significant the company uses financial derivatives to mitigate risk.

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

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

##### **(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 aims at maintaining flexibility in funding by keeping committed credit lines available.

##### **(d) Commodity hedging**

The Group monitors its exposure with respect to commodity price risks and if necessary uses the established over-the-counter swap markets to hedge a portion of the market risks associated with its petroleum products sales.

##### **(e) Currency risks**

The Group operates internationally and is exposed to foreign exchange risks arising from various currencies.

The Group monitors its exposure to fluctuations in foreign currencies. If it is determined that there is a need to hedge this exposure the appropriate instrument is used.

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 1 Incorporation and Business Activities

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 (GOTT). Pursuant to a special resolution, the company was issued a certificate of continuance P-1069 ©, in accordance with The Companies Act, 1995. The registered office is Administration Building, Pointe-a-Pierre.

### 2 Operating Profit

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>			<b>September 30</b>	
<b>2001</b>	<b>2002</b>		<b>2002</b>	<b>2001</b>
The following items have been charged/(credited) in arriving at operating profit:				
\$ 31,931	\$ 31,930	Amortisation of goodwill	\$ 31,930	\$ 31,931
		Cost of inventories recognised as (income)/expense		
111,015	(117,498)	(included in 'Cost of Sales')	(117,705)	111,577
619,698	527,398	Depreciation and depletion	528,212	620,804
225	427	Directors fees	427	240
85,302	151,554	Operating lease rental	151,554	85,302
31,986	26,498	Repairs and maintenance	28,910	32,859
62,258	100,369	Impairment of long-term loan	100,369	62,258
5,098	8,605	Charge for bad and doubtful debts	8,605	5,098
		Loss on disposal of property, plant and equipment	15,444	3,241
3,241	15,444	Staff costs (Note 3)	941,866	981,093
<u>978,604</u>	<u>938,734</u>			

### 3 Staff Costs

\$ 566,168	\$ 554,258	Salaries and wages benefits	\$ 557,390	\$ 568,657
61,768	57,859	Pensions – defined benefit plans (Note 18)	57,859	61,768
27,014	22,819	Other post retirement benefits (Note 18)	22,819	27,014
95,438	79,026	Overtime	79,026	95,438
60,754	70,363	Allowances	70,363	60,754
22,013	28,895	Medical services	28,895	22,013
10,150	12,005	Housing aid	12,005	10,150
11,960	12,477	Savings plan	12,477	11,960
67,004	56,679	Voluntary Selective Separation Plan	56,679	67,004
13,676	12,716	National Insurance	12,716	13,676
9,988	9,196	Travel Plan	9,196	9,988
<u>32,671</u>	<u>22,441</u>	Other personnel costs	<u>22,441</u>	<u>32,671</u>
<u>\$ 978,604</u>	<u>\$ 938,734</u>		<u>\$ 941,866</u>	<u>\$ 981,093</u>

Average number of persons employed by the Group during the year:

4,215	3,907	Full time	3,907	4,215
<u>125</u>	<u>164</u>	Contract	<u>165</u>	<u>125</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 4 Finance Costs

Parent			Consolidated	
September 30			September 30	
2001	2002		2002	2001
		Interest expense		
\$(241,706)	\$ (244,673)	- bank borrowings	\$ (244,673)	\$ (241,706)
<u>(74,047)</u>	<u>(97,693)</u>	- dismantlement	<u>(104,309)</u>	<u>(84,802)</u>
<u>\$(315,753)</u>	<u>\$ (342,366)</u>		<u>\$ (348,982)</u>	<u>\$ (326,508)</u>

### 5 Tax

\$ (43,165)	\$ (11,493)	Current tax	\$ (12,445)	\$ (43,891)
13,002	4,731	Prior year over provision	4,731	13,002
<u>(181,737)</u>	<u>34,737</u>	Deferred tax	<u>33,728</u>	<u>(195,762)</u>
<u>\$(211,900)</u>	<u>\$ 27,975</u>		<u>\$ 26,014</u>	<u>\$ (226,651)</u>

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

<u>\$ 290,308</u>	<u>\$ (26,014)</u>	(Loss)/profit before tax	<u>\$ (40,868)</u>	<u>\$ 299,688</u>
\$(145,154)	\$ 13,007	Tax calculated at a tax rate of 50%	\$ 20,434	\$ (149,844)
		Non-temporary differences		
24,116	13,797	- Income not subject to tax	13,797	24,116
(88,135)	7,933	- Effect of difference on initial recognition of asset	(503)	(97,469)
(11,076)	(5,645)	- Green Fund Levy	(5,676)	(11,106)
13,002	1,824	- Prior year over provision	1,824	13,002
<u>(4,653)</u>	<u>(2,941)</u>	- Unemployment levy	<u>(3,862)</u>	<u>(5,350)</u>
<u>\$(211,900)</u>	<u>\$ 27,975</u>	Tax	<u>\$ 26,014</u>	<u>\$ (226,651)</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To the Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 6 Property, Plant and Equipment

#### Parent

	Major Inspection and Overhaul Costs	Production Assets	Manufacturing Assets	Total
<b>Year ended September 30, 2002</b>				
<b>Cost</b>				
At start of year	\$269,119	\$9,144,597	\$3,324,151	\$12,737,867
Additions	81,796	372,133	52,343	506,272
Revised dismantlement cost estimates	--	(185,694)	9,783	(175,911)
Disposals	--	(19,473)	--	(19,473)
At end of year	350,915	9,311,563	3,386,277	13,048,755
<b>Accumulated depreciation, depletion and amortisation</b>				
At start of year	161,464	5,346,676	1,266,781	6,774,921
Charge for the year	64,330	334,949	128,119	527,398
Disposals	--	(4,029)	--	(4,029)
At end of year	225,794	5,677,596	1,394,900	7,298,290
<b>Net Book Value</b>				
As at September 30, 2002	<u>\$125,121</u>	<u>\$3,633,967</u>	<u>\$1,991,377</u>	<u>\$5,750,465</u>
As at September 30, 2001	<u>\$107,655</u>	<u>\$3,797,921</u>	<u>\$2,057,370</u>	<u>\$5,962,946</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To the Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 6 Property, Plant and Equipment (Continued)

#### Consolidated

	Major Inspection and Overhaul Costs	Production Assets	Manufacturing Assets	Total
<b>Year ended September 30, 2002</b>				
<b>Cost</b>				
At start of year	\$269,119	\$9,805,879	\$3,324,192	\$13,399,190
Additions	81,796	374,995	52,343	509,134
Revised dismantlement cost estimates	--	(185,694)	9,783	(175,911)
Disposals	--	(19,473)	--	(19,473)
Cost at end of year	350,915	9,975,707	3,386,318	13,712,940
<b>Accumulated depreciation, depletion and amortisation</b>				
At start of year	161,464	5,996,882	1,266,781	7,425,127
Charge for the year	64,330	335,763	128,119	528,212
Disposals	--	(4,029)	--	(4,029)
At end of year	225,794	6,328,616	1,394,900	7,949,310
<b>Net Book Value</b>				
As at September 30, 2002	<u>\$125,121</u>	<u>\$3,647,091</u>	<u>\$1,991,418</u>	<u>\$5,763,630</u>
As at September 30, 2001	<u>\$107,655</u>	<u>\$3,808,997</u>	<u>\$2,057,411</u>	<u>\$5,974,063</u>

Oil and gas properties are subject to a ceiling test under which their carrying value, net of deferred income taxes, is limited to the undiscounted future net revenue from production of estimated proven oil and gas reserves based on average crude prices during the year less estimated future development, administration and operating cost and taxation.

For the year ended September 30, 2002 this test did not result in a write down of oil and gas properties. When the test was done using year-end crude prices there was also no impairment to oil and gas properties.

Included in production assets is a net amortised amount of \$337,194 (2001 - \$571,271) in respect of dismantlement costs.

Included above is work in progress of \$387,264 (2001 - \$315,404).

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 7 Intangible Asset

#### Goodwill

	<b>Parent and Consolidated</b>	
	<b>30 September</b>	
	<b>2002</b>	<b>2001</b>
<b>Cost</b>		
At start of year	\$ 383,159	\$ 382,552
Addition	<u>          --</u>	<u>          607</u>
At end of year	<u>          383,159</u>	<u>          383,159</u>
<b>Accumulated amortisation</b>		
At start of year	37,244	5,313
Charge for the year	<u>          31,930</u>	<u>          31,931</u>
At end of year	<u>          69,174</u>	<u>          37,244</u>
<b>Net Book Value</b>	<u>          \$ 313,985</u>	<u>          \$ 345,915</u>

The amortisation charge for the year is included under other operating expenses in the Consolidated Income Statement.

### 8 Investments-Held To Maturity

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>	<b>September 30</b>		<b>September 30</b>	<b>September 30</b>
<b>2001</b>	<b>2002</b>		<b>2002</b>	<b>2001</b>
<u>\$ 82,904</u>	<u>\$ 56,446</u>	Canadian Wheat Board Bond	<u>\$ 56,446</u>	<u>\$ 82,904</u>

In order to manage the risks arising from fluctuations in the Japanese yen exchange rate on The Export Import Bank of Japan (EXIMBANK) Loan, the Company holds Canadian Wheat Board Japanese yen long term bonds which were purchased on October 01, 1997. These bonds mature in March and September of each year to March 03, 2006. The cash inflows are used to meet the principal and interest payments on the EXIMBANK loan. Since these Japanese yen bonds are Canadian government sovereign debt, the credit risk is considered minimal.

### 9 Investments-Available For Sale

\$ 6,360	\$ 6,360	La Brea Industrial Development	\$ 6,360	\$ 6,360
188	188	Company Limited (LABIDCO)	188	188
<u>          12</u>	<u>          --</u>	Metal Industries Company limited	<u>          --</u>	<u>          12</u>
		Point Fortin LNG Exports Limited		
		(P.F.LNG)		
<u>\$ 6,560</u>	<u>\$ 6,548</u>		<u>\$ 6,548</u>	<u>\$ 6,560</u>

The directors of the Company consider the amounts stated above to represent the fair value of the investments.



# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 11 Loan Receivable

Parent			Consolidated	
September 30 2001	2002		September 30 2002	2001
		<b>Non-Current</b>		
		(i) Loan to related company		
\$ 19,724	\$ ---	- IneParia Inc	\$ ---	\$ 19,724
<u>19,724</u>	<u>---</u>		<u>---</u>	<u>19,724</u>
		<b>Current</b>		
		(i) Loan to related company		
100,402	19,757	- IneParia Inc	19,757	100,402
<u>---</u>	<u>3,811</u>	(ii) Loan to related company - P.F. LNG	<u>3,811</u>	<u>---</u>
<u>100,402</u>	<u>23,568</u>		<u>23,568</u>	<u>100,402</u>
<u>\$120,126</u>	<u>\$ 23,568</u>		<u>\$ 23,568</u>	<u>\$ 120,126</u>

- (i) Petrotrin, in accordance with a Letter of Intent (LOI) dated July 07, 2000 with IneParia Inc., a Cayman Island registered company, granted the latter, a loan facility totalling \$53,701 (US\$8,600) to finance exploration in the Gulf of Paria East Area in which Petrotrin was negotiating a fifty percent (50%) participating interest. The final disbursement of this facility was made on February 23, 2001.

The loan was repayable via seventeen (17) monthly instalments of \$2,185 (US\$350) and one balloon payment of the balance of the loan.

Interest was payable monthly at a rate of LIBOR plus 1.5% per annum calculated on a daily basis.

Under the above mentioned LOI Petrotrin also paid \$136,006 (US\$21,781) in cash advances in respect of the exploration project and also provided \$2,335 (US\$374) in services. These advances and services were to be repayable out of the proceeds of the project. The loan and cash advances were guaranteed by IneParia Inc.'s parent company, Inelectra S.A.C.A.

Effective July 10, 2001, Petrotrin, in accordance with the provisions of the LOI, withdrew from the agreement. The effect of this was to have the balances outstanding on the loan, which at the date of withdrawal amounted to \$50,797 (US\$8,135), cash advances and cost of services which at the date of withdrawal amounted to \$138,341 (US\$22,155), repayable in three (3) equal monthly instalments from August 09, 2001. These repayments were not made by IneParia Inc.

The company is at present negotiating the repayment of the loan and cash advances. As at September 30, 2002, the loan balance was being repaid in monthly instalments, inclusive of interest, of \$2,185 (US\$350) which commenced on May 23, 2001. Interest is payable at a rate of 5.63% per annum.

No repayments have been made in respect of the cash advances nor the cost of services, as such, the company has made a provision of \$138,341 (US\$22,155) against the outstanding cash advances.

- (ii) This amount represents short term non-interest bearing loan representing Petrotrin's share of 19.5% of Point Fortin LNG Exports Funding requested of the shareholders.

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 12 Deferred Tax (Assets)/Liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 50% (2001 – 50%).

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

Parent			Consolidated	
September 30	September 30		September 30	September 30
2001	2002		2002	2001
\$ 319,946	\$ 501,683	At beginning of year	\$ 264,544	\$ 68,782
<u>181,737</u>	<u>(34,737)</u>	Income statement charge (Note 5)	<u>(33,728)</u>	<u>195,762</u>
<u>\$ 501,683</u>	<u>\$ 466,946</u>	At end of year	<u>\$ 230,816</u>	<u>\$ 264,544</u>

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. The Group has tax losses totalling approximately \$2,457,236 (2001 - \$2,466,622) to carry forward against future taxable income. These amounts have not been agreed with the Board of Inland Revenue.

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

Parent	September 30, 2001	Charged/ (credited) to income	September 30, 2002
<b>Deferred income tax assets</b>			
Medical provision	\$ (134,809)	\$ (6,569)	\$ (141,378)
Bad and doubtful debts	(15,517)	(4,219)	(19,736)
Stock provision	--	(5,648)	(5,648)
Vacation accrued	(33,298)	219	(33,079)
Tax losses carried forward	(998,890)	(4,513)	(1,003,403)
Exchange loss	(571)	(30,472)	(31,043)
	<u>\$ (1,183,085)</u>	<u>\$ (51,202)</u>	<u>\$ (1,234,287)</u>
<b>Deferred income tax liabilities</b>			
Accelerated tax depreciation	\$ 1,638,495	\$ 62,738	\$ 1,701,233
Exchange gain	38,040	(38,040)	--
Stock provision write back	8,233	(8,233)	--
	<u>\$ 1,684,768</u>	<u>\$ 16,465</u>	<u>\$ 1,701,233</u>
Net deferred income tax liability	<u>\$ 501,683</u>	<u>\$ (34,737)</u>	<u>\$ 466,946</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 12 Deferred Tax (Assets)/Liabilities

Consolidated	September 30, 2001	Charged/ (credited) to income	September 30, 2002
<b>Deferred income tax assets</b>			
Medical provision	\$ (134,809)	\$ (6,569)	\$ (141,378)
Accelerated tax depreciation	(8,804)	2,326	(6,478)
Bad and doubtful debts	(15,517)	(4,219)	(19,736)
Stock provision	--	(5,648)	(5,648)
Vacation accrued	(33,298)	219	(33,079)
Tax losses carried forward	(1,233,311)	4,693	(1,228,618)
Exchange loss	(819)	(34,803)	(35,622)
	<u>\$ (1,426,558)</u>	<u>\$ (44,001)</u>	<u>\$ (1,470,559)</u>
<b>Deferred income tax liabilities</b>			
Accelerated tax depreciation	\$ 1,638,495	\$ 62,738	\$ 1,701,233
Exchange gain	44,374	(44,232)	142
Stock provision write back	8,233	(8,233)	--
	<u>\$ 1,691,102</u>	<u>\$ 10,273</u>	<u>\$ 1,701,375</u>
Net deferred income tax liability	<u>\$ 264,544</u>	<u>\$ (33,728)</u>	<u>\$ 230,816</u>

### 13 Inventories

Parent			Consolidated	
September 30 2001	September 30 2002		September 30 2002	September 30 2001
\$ 257,077	\$ 251,177	Materials and supplies – cost	\$ 251,177	\$ 257,077
234,311	213,139	Crude oil – cost	213,487	234,452
<u>336,900</u>	<u>481,470</u>	Refined products – cost	<u>481,470</u>	<u>336,900</u>
<u>\$ 828,288</u>	<u>\$ 945,786</u>		<u>\$ 946,134</u>	<u>\$ 828,429</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 14 Receivables And Prepayments

Parent			Consolidated	
September 30			September 30	
2001	2002		2002	2001
\$1,046,327	\$1,220,556	Trade receivables	\$1,220,558	\$1,046,387
<u>(42,699)</u>	<u>(43,828)</u>	Less: provision for impairment of receivables	<u>(43,828)</u>	<u>(42,699)</u>
<u>1,003,628</u>	<u>1,176,728</u>		<u>1,176,730</u>	<u>1,003,688</u>
97,718	161,253	Other receivables	168,806	102,185
<u>(24,078)</u>	<u>(31,053)</u>	Less: provision for impairment of receivables	<u>(31,576)</u>	<u>(24,601)</u>
<u>73,640</u>	<u>130,200</u>		<u>137,230</u>	<u>77,584</u>
17,228	15,765	Due from subsidiary company	--	--
<u>2,380</u>	<u>3,243</u>	Prepayments	<u>3,243</u>	<u>2,380</u>
<u>\$1,096,876</u>	<u>\$1,325,936</u>		<u>\$1,317,203</u>	<u>\$1,083,652</u>

### 15 Cash And Cash Equivalents

\$ 88,417	\$ 45,922	Cash at bank and in hand	\$ 65,800	\$ 140,532
<u>167,677</u>	<u>213,427</u>	Short term bank deposits	<u>226,509</u>	<u>172,661</u>
<u>\$ 256,094</u>	<u>\$ 259,349</u>		<u>\$ 292,309</u>	<u>\$ 313,193</u>

The weighted average effective interest rate on short term deposits was 1.72% (2001 – 4.75%) and these deposits have an average maturity of 2 days.

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

\$ 256,094	\$ 259,349	Cash and cash equivalent	\$ 292,309	\$ 313,193
<u>(78,468)</u>	<u>(25,715)</u>	Bank overdrafts	<u>(25,715)</u>	<u>(78,468)</u>
<u>\$ 177,626</u>	<u>\$ 233,634</u>		<u>\$ 266,594</u>	<u>\$ 234,725</u>

### 16 Share Capital

Authorised  
300,000,000 ordinary shares of no par value  
(2001 - 300,000,000 ordinary shares of no par value)

Issued and fully paid  
300,000,000 ordinary shares of no par value  
(2001- 300,000,000 ordinary shares of  
no par value)

<u>\$2,272,274</u>	<u>\$2,272,274</u>		<u>\$2,272,274</u>	<u>\$2,272,274</u>
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# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 17 Borrowings

Parent September 30			Consolidated September 30	
2001	2002		2002	2001
<b>Non-Current</b>				
\$ 146,904	\$ 149,862	(i) Bank borrowings	\$ 149,862	\$ 146,904
1,184,303	960,202	(ii) Project funding	960,202	1,184,303
--	936,638	(iii) Forward sale contract	936,638	--
--	--	(iv) Other	98,409	104,014
1,331,207	2,046,702		2,145,111	1,435,221
(247,199)	(222,829)	Less current portion	(222,829)	(247,199)
<u>\$1,084,008</u>	<u>\$1,823,873</u>		<u>\$1,922,282</u>	<u>\$1,188,022</u>

Non-current borrowings include two secured liabilities totalling \$201,584 (2001-\$232,055). These borrowings are secured by the provision of Government of Trinidad and Tobago (GOTT) guarantees, a Letter of Comfort for \$30,000, together with the assignment of sales receivables.

		Total borrowings		
\$ 458,377	\$1,323,626	- at fixed rates	\$1,422,035	\$ 562,391
872,830	723,076	- at floating rates	723,076	872,830
<u>\$1,331,207</u>	<u>\$2,046,702</u>		<u>\$2,145,111</u>	<u>\$1,435,221</u>

		Weighted average effective interest rates:		
9.04%	8.46%	- bank borrowings (medium & long term)	8.46%	9.04%

#### Maturity of non-current borrowings:

\$ 247,199	\$ 222,829	Not later than 1 year	\$ 222,829	\$ 247,199
741,616	749,292	Later than 1 and less than 3 years	749,292	741,616
316,616	202,417	Between 3 and 4 years	202,417	316,616
25,776	872,164	Over 5 years	970,573	129,790
<u>\$1,331,207</u>	<u>\$2,046,702</u>		<u>\$2,145,111</u>	<u>\$1,435,221</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 17 Borrowings (Continued)

#### Borrowing facilities:

As at September 30, 2002, the Company has credit facilities with various foreign and local banking institutions totalling \$2,345,963 (2001-\$2,075,120), of which the sum of \$1,106,783 (2001-\$162,975) was unutilised.

#### (i) Non-Current Bank Borrowings

Parent September 30			Consolidated September 30	
2001	2002		2002	2001
<u>\$ 146,904</u>	<u>\$ 149,862</u>	Citicorp Merchant Bank Limited	<u>\$ 149,862</u>	<u>\$ 146,904</u>

Description	Terms and Conditions	Security
Citicorp Merchant Bank Limited		
This loan was issued on December 24, 1997 for a principal amount US \$24,000 (\$146,904).	The loan is repayable on or before December 24, 2017.  Interest is paid semi-annually in June and December in arrears at an annual fixed rate of 12.5% (2001 – 12.5%)	Petrotrin bonds, assignment of receivables and GOTT comfort letter for \$30,000.
	Petrotrin has the option in June 2003, to prepay the interest payments from year 8 to 20 at the discounted price of US\$13,000 (\$81,175) and to repay the bond at the end of year 7 (December 2004) at the discounted price of US\$4,250 (\$26,538). These exercised options result in an annual after tax interest rate of 2.88%.	

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 17 Borrowings (Continued)

#### (ii) Borrowings – Project Funding

Parent			Consolidated	
September 30			September 30	
2001	2002		2002	2001
		(a) Advances from the GOTT		
		- InterAmerican Development Bank (IDB)		
\$ 815,548	\$ 671,354		\$ 671,354	\$ 815,548
		- The Export-Import Bank of Japan (EXIMBANK)		
94,428	72,114		72,114	94,428
<u>160,790</u>	<u>139,345</u>	- European Investment Bank (EIB)	<u>139,345</u>	<u>160,790</u>
1,070,766	882,813		882,813	1,070,766
		(b) Advances from Commonwealth Development Corporation (CDC)		
27,768	--		--	27,768
		(c) Advances from Caribbean Development Bank (CDB)		
57,282	51,722		51,722	57,282
		(d) Advances from GOTT EIB - MTBE Project		
<u>28,487</u>	<u>25,667</u>		<u>25,667</u>	<u>28,487</u>
<u>\$1,184,303</u>	<u>\$ 960,202</u>		<u>\$ 960,202</u>	<u>\$1,184,303</u>

#### (a) Advances from the GOTT

The GOTT, on behalf of the Group, entered into long term agreements with the IDB, 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 GOTT and the Banks except for the interest rate.

The interest rate charged by the GOTT 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 GOTT 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)

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### 17 Borrowings (Continued)

#### (a) Advances from the GOTT (Continued)

Description	Terms and Conditions	Security
<b>IDB</b>		
<p>This loan was entered into on June 25, 1991 for a maximum financing facility of US\$260,000 (2002-TT\$ 1,623,505 2001-TT\$1,592,552), including interest, of which US\$259,916 (2002-TT\$1,622,980 2001-TT\$1,592,037) was fully drawdown by December 25, 1996.</p>	<p>The loan is being repaid by nineteen semi-annual equal instalments in January and July of each year which commenced on July 6, 1997 with the final instalment due on July 6, 2006.</p>	Unsecured.
<p>The loan balance is expressed in terms of a pool of currencies referred to as Units of Account (UOA) and semi-annual repayments will be expressed in UOA and converted to the currency requested by IDB based on the UOA value on the date of payment.</p>	<p>Interest, which is payable semi-annually at rates determined by the IDB, ranged from 9.29% to 8.58% (2001-9.29% to 9.36%) per annum during the year.</p>	
<p>The Principal outstanding at year-end was UOA 67,426,077 equivalent to US\$100,658 (TT\$628,531); 2001-UOA\$84,882,962 equiv US\$124,653 (TT\$763,527) excluding interest of US\$6,858 (TT\$42,823); 2001-US\$8,493 - (TT\$52,021) payable to the borrower.</p>	<p>The executing agency is required to maintain during the life of the contract a ratio of current assets to current liabilities of not less than 1.2.</p> <p>The borrower and the executing agency undertake to ensure that during the life of the contract, the executing agency does not assume, without prior consent of the Bank, new financial obligations with maturities of more than one year as a result of which:</p> <ol style="list-style-type: none"><li>i) the ratio between internal generation of funds and the consolidated total service of its debt is less than 1.5</li><li>ii) the ratio of its long-term debt to its net worth, is more than 0.75</li><li>iii) in either case described in (i) and (ii) above, if additional debt for any project is greater than US\$25 million, the executing agency obtains the Bank's prior agreement.</li></ol>	

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### 17 Borrowings (Continued)

#### (a) Advances from the GOTT (Continued)

Description	Terms and Conditions	Security
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##### EXIMBANK

This loan was entered into on October 21, 1991 for an un-tied Yen denominated loan facility from the EXIMBANK in an aggregate principal amount up to, but not exceeding, the Yen equivalent of US\$40,000 (2002-TT\$249,770 2001-TT\$245,008). This facility was fully drawdown by December 30, 1994. The principal outstanding as at September 30, 2002 amounted to ¥1,398,908 (US \$11,549) (TT\$72,114), (2001-¥1,798,620; US\$15,416; TT\$94,428).	The principal is being repaid by twenty-two semi-annual equal instalments, in March and September, which commenced September 6, 1995, with the final instalment due on March 6, 2006.  Interest is paid semi-annually. During the year, the rate varied between 6.5% to 8.7% per annum, (2001-6.5% to 8.7%).	Unsecured.
--	--	------------

##### EIB

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, 2002 was US\$10,941 (TT\$68,318), ¥451,246 (TT\$23,262) and £4,916 (TT\$47,765). 2001 was US\$13,049 (TT\$79,930); ¥538,174 (TT\$28,254) and £5,863 (TT\$52,606).	The Principal is being repaid by twenty-two semi-annual instalments in June and December of each year which commenced June 5, 1996, with the final instalment due by December 5, 2006.  Interest is calculated semi-annually and accrues at rates varying between 6% to 8.15% per annum, (2001-6% to 8.15%).	Unsecured.
--	--	------------

#### (b) Advances from CDC

This loan was entered into on December 30, 1992 for a principal sum of US\$34,000 (TT\$212,305) (2001-TT\$208,257). US\$24,500 (TT\$152,945) (2001-TT\$150,067) was used on the Energy Project and US\$9,500 (TT\$59,320) (2001-TT\$58,189) on the refurbishment of the Point-a-Pierre lubricating oil plant. The loan was repaid on January 25, 2002.	The principal was repaid by fifteen semi-annual equal instalments in March and September of each year which commenced September 20, 1995 with the final instalment due by September 20, 2002. Interest is paid semi-annually at a rate of 9.5% per annum. (2001 – 9.5%)	Guaranteed by the GOTT.
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# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 17 Borrowings (Continued)

#### (c) Advances from CDB

Description	Terms and Conditions	Security
<p>This loan was entered into on April 30, 1993 for a principal sum of US\$18,000 (TT\$112,397) (2001-TT\$110,254) to be used on Sub-Project A (see note 17(a) above). The final disbursement on the facility was made on June 30, 1997. The principal outstanding as at September 30, 2002 amounted to EC\$191 (TT\$440), US\$7,563 (TT\$47,223), EURO 189 (TT\$1,163) and TT\$2,896. September 30, 2001 amounted to EC\$215 (TT\$487), US\$8,539 (TT\$52,300), EURO 213 (TT\$1,226) and TT\$3,269.</p>	<p>The principal is to be repaid in forty-four quarterly instalments in March, June, September and December commencing September 30, 1999 to June 30, 2010.</p> <p>Interest is payable quarterly. The bank may increase or decrease the rate of interest and during the year, the rate ranged between 5.75% to 7.0% per annum (2001-7.0% to 7.5%).</p> <p>A commitment charge at the rate of 1% per annum was payable on the undisbursed amount of the loan.</p>	<p>Guaranteed by the GOTT.</p>

#### (d) Advances from GOTT-EIB-MTBE Project

<p>The GOTT 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 GOTT and the EIB except for the interest rate.</p>	<p>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 2010.</p>	<p>Unsecured.</p>
<p>The amount advanced was utilised for the construction of Methyl Tertiary Butyl Ether (MTBE) Production Plant at the Pointe-a-Pierre refinery.</p>	<p>Interest is calculated semi-annually at the rate of 3% per annum on those sums applied to the environmental aspects of the Project and at 6% per annum on all other sums.</p>	
<p>This contract provides for a total of 8,500 ECU's of which 5,400 ECU's were fully drawdown on September 29, 1997. The principal outstanding as at September 30, 2002 was US\$3,634 (TT\$22,693) and ¥57,688 (TT\$2,974). September 30 2001 was US\$4,094 (TT\$25,075) and ¥64,984 (TT\$3,412).</p>		

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 17 Borrowings (Continued)

#### (iii) Forward Sale Contract

Parent			Consolidated	
September 30			September 30	
2001	2002		2002	2001
		Caribbean Oil Purchase Company		
\$ --	\$ 936,638		\$ 936,638	\$ --

In order to re-finance the bridge loan of \$724,500 (US\$115,000) in respect of the acquisition of Texaco's 1/3 share in Trinmar, 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 note holders.

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. The net proceeds were used to pay off the bridge loan and the balance to fund other capital projects.

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 & 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.	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.	
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.		

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### 17 Borrowings (Continued)

#### (iii) 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 is refunded to Petrotrin.</p>	<p>The Diesel Contract requires Petrotrin to satisfy the following major covenants:</p> <p>i) Debt to Equity Ratio of</p> <p>(a) <b>1.35</b> or less before September 30, 2003.</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>(b) <b>1.20</b> or less from October 1, 2003 to September 30, 2006.</p> <p>(c) <b>1.10</b> or less from October 1, 2006 to September 30, 2009.</p> <p>(d) <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>		

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 17 Borrowings (Continued)

#### (iv) Other

Parent		Consolidated	
September 30	September 30	September 30	September 30
2001	2002	2002	2001
\$ --	\$ --	\$ 98,409	\$ 104,014

The National Gas Company of  
Trinidad and Tobago

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 loan is unsecured with no fixed terms of repayment.

### 18 Retirement benefit obligations

		Parent and Consolidated	
		September 30	September 30
		2002	2001
Pension benefits	(i)	\$ 12,495	\$ 12,495
Post employment medical benefits	(ii)	<u>(295,250)</u>	<u>(282,111)</u>
Retirement benefit obligations		<u>\$(282,755)</u>	<u>\$(269,616)</u>

#### (i) Pension benefits

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

Provision for funded obligations	\$ 2,870,275	\$ 2,671,208
Fair value plan of assets	<u>(4,437,865)</u>	<u>(4,269,197)</u>
	(1,567,590)	(1,597,989)
Unrecognised actuarial (losses)/gains	(134,495)	(134,495)
Un-utilisable assets	<u>1,689,590</u>	<u>1,719,989</u>
Asset in the balance sheet	<u>\$ (12,495)</u>	<u>\$ (12,495)</u>

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

Current service cost	\$ 45,635	\$ 43,960
Interest cost	224,706	213,165
Expected return on plan assets	(419,963)	(431,235)
Amortised loss	184,818	--
Past service cost	53,062	54,000
Net actuarial (gains)/losses recognised in year	<u>(30,399)</u>	<u>181,878</u>
Total, included in staff costs (note 3)	<u>\$ 57,859</u>	<u>\$ 61,768</u>

The actual return on the plan assets was \$305,692 (2001 – (\$34,460))

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### 18 Retirement benefit obligations (Continued)

#### (i) Pension benefits (Continued)

**Parent and Consolidated  
September 30  
2002                  2001**

Movement in the asset recognised in the balance sheet.

At the start of year	\$ (12,495)	\$ (8,555)
Total expense	57,859	61,768
Contributions paid	<u>(57,859)</u>	<u>(65,708)</u>
At end of year	<u>\$ (12,495)</u>	<u>\$ (12,495)</u>

The principal actuarial assumptions were as follows:

Discount rate – active members and deferred pensioners	8% pa	8½% pa
Discount rate – current pensioners	8% pa	9½% pa
Expected Return on Plan Assets (net investment expenses)	10% pa	10% pa
Future of salary increases	6% pa	7% pa
Medical Costs inflation	5½% pa	5½% pa

#### (ii) Post employment medical benefits

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

Present value of funded obligations	\$ 300,640	\$ 220,359
Unrecognised actuarial (losses)/gains	<u>(5,390)</u>	<u>61,752</u>
Liability in balance sheet	<u>\$ 295,250</u>	<u>\$ 282,111</u>

The amounts recognised in the income statement were as follows:

Current Service Cost (note 3)	<u>\$ 22,819</u>	<u>\$ 27,014</u>
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Movement in liability recognised in the balance sheet:

At start of year	\$ 282,111	\$ 264,632
Total cost	22,819	27,014
Contribution paid	<u>(9,680)</u>	<u>(9,535)</u>
At end of year	<u>\$ 295,250</u>	<u>\$ 282,111</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 19 Provisions

#### Dismantlement Costs

Parent September 30			Consolidated September 30	
2001	2002		2002	2001
\$ 700,014	\$ 814,907	At start of year	\$ 859,011	\$ 732,464
--	--	Additional provision	--	1,351
40,846	(175,911)	Revised costs estimates	(175,911)	40,394
		Charge to income statement		
<u>74,047</u>	<u>97,693</u>	- Finance charge	<u>104,309</u>	<u>84,802</u>
<u>\$ 814,907</u>	<u>\$ 736,689</u>	At end of year	<u>\$ 787,409</u>	<u>\$ 859,011</u>

This represents management's best estimated cost of dismantling exploration and production assets at the end of the producing lives of the fields and the refinery at the end of its useful life. No dismantlement cost was incurred during the current year.

### 20 Trade And Other Payables

\$ 752,012	\$ 693,336	Trade payables	\$ 693,469	\$ 754,291
		Due to Government of Trinidad & Tobago		
51,383	61,782	- Royalties	61,782	51,383
66,770	75,408	- Taxes other than income taxes	75,408	66,770
1,789	1,376	Due to subsidiary company	--	--
103,693	122,625	Benefits due to employees	122,625	103,693
<u>136,873</u>	<u>151,278</u>	Other payables	<u>151,280</u>	<u>136,873</u>
<u>\$1,112,520</u>	<u>\$1,105,805</u>		<u>\$ 1,104,564</u>	<u>\$1,113,010</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### 21 Bank Overdrafts And Short-term Loans

Parent		Consolidated	
September 30		September 30	
2001	2002	2002	2001
\$ 78,468	\$ 25,715	(i) \$ 25,715	\$ 78,468
<u>1,833,677</u>	<u>1,238,584</u>	(ii) <u>1,238,584</u>	<u>1,833,677</u>
<u>\$1,912,145</u>	<u>\$1,264,299</u>	<u>\$1,264,299</u>	<u>\$1,912,145</u>

- (i) The bank overdraft is unsecured with an interest rate of 16.5% (2001 – 15%).  
(ii) Short-term loans are unsecured with effective interest rates ranging from 2.58% to 3.99% (2001 – 4.01% to 5.50%). They have varying maturity dates of 58 to 181 days.

### 22 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, short-term and floating rate long-term borrowings.

### 23 Minority Interest

The minority interest balance was not disclosed in the balance sheet since this was a debit balance at the 2002 and 2001 year-end.

The minority interest balance was not disclosed in the income statement since this balance was immaterial for the year 2002 and 2001.

### 24 Acquisition

On July 31, 2000, the Group acquired Texaco's one-third share in Trinmar Limited- Soldado Operation, an unincorporated joint venture. The purchase consideration as at September 30, 2001 of \$607 relates to final charges in respect of the acquisition of Texaco's 1/3 share of Trinmar.

	Parent and Consolidated	
	September 30	September 30
	2002	2001
Purchase consideration:		
Cash paid	\$ <u>        --</u>	\$ <u>        607</u>

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

## **Notes To The Consolidated Financial Statements (Continued)**

**September 30 2002**

(Expressed in Thousands of Trinidad and Tobago dollars)

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### **25 Contingent Liabilities**

#### **(i) Housing loan guarantee**

The Group has guaranteed mortgage housing loans amounting to approximately \$29,822 (2001-\$33,295) 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 \$5,000 (2001-\$8,182).

The Company 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 have been made in these financial statements.

#### **(iii) Litigation**

In April 2000, proceedings were commenced against Petrotrin in the High Court of Trinidad & Tobago. The proceedings relate to an alleged breach of a letter of agreement, in which Alliance Capital Markets Limited are claiming a substantial amount. The company is vigorously defending these proceedings as it disputes not only the quantum and bases for those claims which are dependent on an action being mounted against a third party, but also its status as a party to these proceedings. The ultimate outcome of these proceedings cannot be ascertained at this time. However, based on the current knowledge of the applicable law and facts and taking into consideration the opinion of the company's legal advisers that the allegations and the claims against the company lack merit and that the company should prevail in this matter, management believes that this litigation should not have a material adverse effect on the company's financial statements or its business operations.

#### **(iv) Severance payments**

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

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

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### 26 Commitments

#### Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

Parent			Consolidated	
September 30			September 30	
2001	2002		2002	2001
<u>\$ 40,825</u>	<u>\$ 31,821</u>	Property, plant and equipment	<u>\$ 31,821</u>	<u>\$ 40,825</u>

#### Operating lease commitments – where a group/company is the lessee

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

\$ 63,914	\$ 133,842	Not later than 1 year	\$ 133,842	\$ 63,914
<u>99,069</u>	<u>240,304</u>	Later than 1 year and no later than 5 years	<u>240,304</u>	<u>99,069</u>
<u>\$ 162,983</u>	<u>\$ 374,146</u>		<u>\$ 374,146</u>	<u>\$ 162,983</u>

#### Sales commitments

The company has entered into long term sales contracts with a number of its customers. As at the balance sheet date these amounted to approximately \$3,992,573 (2001-\$3,009,213).

#### Purchases commitments

The company has entered into purchase contracts with suppliers. As at the balance sheet date these amounted to approximately \$235,408 (2001-\$212,538).

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 27 Related Party Transactions

The following transactions were carried out with related parties:

<b>Parent</b>			<b>Consolidated</b>	
<b>September 30</b>			<b>September 30</b>	
<b>2001</b>	<b>2002</b>		<b>2002</b>	<b>2001</b>
<b>i) Sales of goods and services</b>				
<b>Sales of goods</b>				
<u>\$ 42,696</u>	<u>\$ 34,886</u>	Related company – LATT	<u>\$ 34,886</u>	<u>\$ 42,696</u>
<b>Sales of services</b>				
<u>\$ 651</u>	<u>\$ 954</u>	Related company – LATT	<u>\$ 954</u>	<u>\$ 651</u>
<b>ii) Purchases of goods and services</b>				
<b>Purchases of goods</b>				
<u>\$ 18,672</u>	<u>\$ 6,831</u>	Subsidiary-Trintomar	<u>\$ --</u>	<u>\$ --</u>
<b>iii) Outstanding balances arising from sale/purchase of goods/services</b>				
<b>Receivables from related parties</b>				
<u>\$ 17,728</u>	<u>\$ 15,765</u>	Subsidiary – Trintomar	<u>\$ --</u>	<u>\$ --</u>
<u>4,669</u>	<u>3,278</u>	Subsidiary – Trinserv	<u>3,278</u>	<u>4,669</u>
<u>\$ 22,397</u>	<u>\$ 19,043</u>		<u>\$ 3,278</u>	<u>\$ 4,669</u>
<b>Payables to related parties</b>				
<u>\$ 3,409</u>	<u>\$ 3,409</u>	Subsidiary – TNA	<u>\$ 3,409</u>	<u>\$ 3,409</u>
<u>1,788</u>	<u>1,376</u>	Subsidiary – Trintomar	<u>--</u>	<u>--</u>
<u>1,957</u>	<u>450</u>	Subsidiary – Trinserv	<u>450</u>	<u>1,957</u>
<u>\$ 7,154</u>	<u>\$ 5,235</u>		<u>\$ 3,859</u>	<u>\$ 5,366</u>

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued) September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 28 Interest in Joint Ventures

The Group has a shared control in the following ventures:

	Parent and Consolidated September 30	
	2002	2001
	Effective Interest	Effective Interest
Block 9 - Offshore	19.50%	19.50%
Block 25A - Offshore	5.00%	5.00%
Block 27 - Offshore	5.00%	5.00%
Brighton Marine – Sub Area A	35.00%	35.00%
Brighton Marine – Sub Area B	45.00%	45.00%
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	4.00%	4.00%
South West Peninsula	27.50%	27.50%
Parrylands 'E' Block	25.00%	25.00%
Eastern Block	35.00%	--

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

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.

Parent September 30			Consolidated September 30	
2001	2002		2002	2001
		<b>Assets</b>		
\$ 245,380	\$ 512,018	Property, plant and equipment	\$ 512,018	\$ 245,380
<u>543</u>	<u>3,811</u>	Current assets	<u>3,811</u>	<u>543</u>
<u>\$ 245,923</u>	<u>\$ 515,829</u>		<u>\$ 515,829</u>	<u>\$ 245,923</u>
\$ 48,939	\$ 54,630	Sales	\$ 54,630	\$ 48,939
\$ 40,870	\$ (9,046)	(Loss)/Profit before tax	\$ (9,046)	\$ 40,870
<u>(30,132)</u>	<u>--</u>	Income taxes	<u>--</u>	<u>(30,132)</u>
<u>\$ 10,738</u>	<u>\$ (9,046)</u>	(Loss)/Profit after tax	<u>\$ (9,046)</u>	<u>\$ 10,738</u>

There are no contingencies related to the Group's interest in the joint ventures. The average number of employees in the joint ventures in 2002 was 89 (2001 - 89).

# Petroleum Company of Trinidad and Tobago Limited

## Notes To The Consolidated Financial Statements (Continued)

September 30 2002

(Expressed in Thousands of Trinidad and Tobago dollars)

### 29 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>2001</b>	<b>2002</b>		<b>2002</b>	<b>2001</b>
		<b>Operating Activities</b>		
\$ 290,308	\$ (26,014)	(Loss)/profit before tax	\$ (40,868)	\$ 299,688
		<b>Adjustments for:</b>		
31,931	31,930	Amortisation of goodwill	31,930	31,931
619,698	527,398	Depletion and depreciation	528,212	620,804
(82,160)	60,621	Foreign currency translation	62,608	(84,794)
315,753	342,366	Interest expense	348,982	326,508
(17,032)	(6,833)	Investment income	(9,700)	(19,978)
62,258	100,369	Impairment of loan receivable	100,369	62,258
		Loss on disposal of property, plant and equipment	15,444	3,241
3,241	15,444		15,444	3,241
61,768	57,859	Pension expenses	57,859	61,768
27,014	22,819	Post retirement medical benefit expenses	22,819	27,014
497,152	385,618	Taxation	386,499	500,536
		<b>Changes in working capital:</b>		
(65,977)	(229,060)	Accounts receivable	(233,551)	(62,953)
111,015	(117,498)	Inventories	(117,705)	111,577
<u>(230,300)</u>	<u>(12,360)</u>	Other liabilities	<u>(14,122)</u>	<u>(221,613)</u>
<u>\$1,624,669</u>	<u>\$1,152,659</u>	<b>Cash Generated From Operations</b>	<u>\$1,138,776</u>	<u>\$1,655,987</u>