

**ANNUAL  
REPORT  
2017**



**ANNUAL REPORT  
& AUDITED STATEMENTS  
2017**

## Table of Contents

Mission Statement .....	3
Vision Statement .....	3
Corporate Information .....	4
Board of Directors .....	7
Corporate Profile.....	8
Corporate Overview.....	11
Human Resources Overview.....	14
Technical and Operations Overview.....	16
Renewable Energy Overview.....	19
Terminal Overview .....	20
Health & Safety Overview.....	24
Financial Overview .....	26
Consolidated Financial Statements .....	29
Independent Auditor's Report.....	31
Notes to Consolidated Financial Statements.....	40



### BARBADOS NATIONAL OIL COMPANY LIMITED

#### MISSION STATEMENT

To efficiently and economically identify and produce hydrocarbon resources and utilise the Petroleum Value Chain and emerging solar technologies to contribute to energy production in Barbados

#### VISION STATEMENT

To become a fully integrated energy company by providing affordable energy products and services through the efficient management of reserves, production and new technologies while contributing to the energy security of Barbados

## Corporate Information

### Registered Office

Woodbourne, St Philip, Barbados

### Shareholders

Government of Barbados  
National Petroleum Corporation

### Attorneys-At-Law

Mr. Roger C Forde, QC  
Mr. Aidan J Rogers  
Charles Russell Speechlys (UK)

### Corporate Secretary

Ms. Monica Hinds (ceased December 31, 2017)  
Mr Ashley Bignall (Appointed January 1, 2018)

### Auditor

PricewaterhouseCoopers SRL

### Banker

Republic Bank (Barbados) Ltd

### Board of Directors – BNOCL

#### (Until May 25, 2018, except where stated)

Dr. Leonard Nurse - Chairman  
Mr. Leslie Barker  
Mr. Ashley Bignall (Ceased December 31, 2017)  
Mr. Noel Greenidge (Appointed April 16, 2016)  
Mr. Ronald Hewitt  
Mr. Everton Lashley  
Mr. Jehu Wiltshire  
Mr. Hayden Workman

#### (Appointed September 3, 2018)

Mr. William Alexander McDonald - Chairman  
Ms. Lachmi Connell - Deputy Chairman  
Ms. Ethnie Bellamy-Weekes  
Mrs. Stephanie Catling-Birmingham  
Ms. Alexandra Daniel  
Mr. Lorenzo Harewood (Ceased February 8, 2019)  
Mrs. Andria Shepherd-Payne  
Mr. David Straughn

The members of the Board of Directors of Barbados National Oil Company Limited (BNOCL) are also Ex-Officio Directors of Barbados National Oilfield Services Limited (BNOSL) and Barbados National Oil Holding Company Limited (BNOCHL)



## Board of Directors – BNTCL

#### (Until May 25, 2018, except where stated)

Dr. Leonard Nurse - Chairman  
Mr. Leslie Barker  
Mr. Ashley Bignall (Ceased December 31, 2017)  
Mr. Noel Greenidge (Appointed April 16, 2016)  
Mr. Dave Waithe  
Mr. Jehu Wiltshire  
Mr. Hayden Workman

#### (Appointed September 3, 2018)

Mr. William Alexander McDonald - Chairman  
Mr. Herbert Yearwood - Deputy Chairman  
Ms. Lasandra Bobb  
Ms. Jamila Burgess  
Dr. Kim Burton  
Ms. Alexandra Daniel  
Ms. Gillian Morris  
Mrs. Andria Shepherd-Payne  
Mr. David Staples  
Ms. Lana Trotman

### Senior Management

Mr Winton Gibbs – General Manager (until August 31, 2018)  
Mr Mervyn Gordon – Technical Manager (until October 31, 2017)  
Mrs. Joan Hinds-Holder – Finance Manager (until March 11, 2020)  
Mrs. Brenda Hinds – Human Resources Manager (until November 17, 2017)  
Mr Terrence Straughn – Terminal Superintendent  
Mr Wesley Carter – Trading and Marketing Manager  
Mr Pedro Bushelle – Information Technology Manager  
Mrs. Carolyn Forde-Bryan – Internal Auditor

### Sub-Committees

There are six Sub-Committees reporting to the Group Board.

#### Amalgamation Committee

Chairperson – Mr Winton Gibbs

#### Establishment Committee

Chairperson – Dr Leonard Nurse

**Finance and Audit Committee**

Chairperson – Mr Ronald Hewitt

**Pension Trustee Committee**

Chairperson – Mr Ashley Bignall

**Technical Committee**

Chairperson – Dr Leonard Nurse

**Tenders Committee**

Chairperson – Dr Leonard Nurse

**Board of Directors**

**Sitting (l to r):** Mr. Ashley Bignall, Mr. Ronald Hewitt,  
Dr. Leonard Nurse (Chairman), Mrs. Ethnie Bellamy-Weekes

**Standing (l to r):** Mr. Noel Greenidge, Mr. Dave Waithe, Mr. Everton Lashley,  
Mr. Hayden Workman, Mr. Jehu Wiltshire

## Corporate Profile

The Barbados National Oil Company Limited (BNOCL or the Company) was incorporated in February 1983 following the cessation of onshore exploration and production operations in Barbados by Mobil Explorations Inc.

The Company's primary objective and core business is the economic exploration and production of the country's hydrocarbon potential onshore Barbados. Its secondary, but equally important objective is to ensure that energy products are supplied to the country at the most competitive prices on a sustainable, efficient and reliable basis.

BNOCL has constantly pursued the diversification of the energy mix in the country, particularly as it relates to alternative energy sources for commercial and industrial purposes. The objective of this policy direction is to assist in reducing the country's dependence on imported fossil fuel, thereby reducing the demand for foreign exchange, while contributing to the protection of the environment.

### BNOCL's Operations

BNOCL's upstream operations are onshore only and are conducted under a Mineral Lease Agreement with the Government. This lease authorises the Company to carry out exploration and production activities in an area of 16,438 acres (6,652.2 hectares) in the parishes of St Philip, St George, St Thomas and St Andrew as shown in Figure 1. In its operations, the Company employs various enhanced recovery techniques on low-producing wells to increase the rate of recovery.

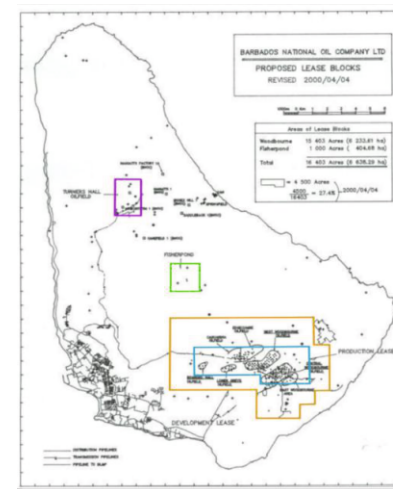


Figure 1: Map of Barbados showing the four locations making up the Mineral Lease.

A number of distinct geological providences in the Woodbourne area; namely Central and West Woodbourne, Lower Greys, Hampton and Edgumbe are the main production sites of the Company's crude oil. This locally produced crude oil is stored at the Terminal at Fairy Valley, Christ Church for shipment to Trinidad where it is now sold to Petrotrin. Previously, the crude was refined by Petrotrin at Point-a-Pierre Refinery under a Processing Agreement. This Processing Agreement was mutually discontinued at the end of June 2016.

BNOCL has a 30.4% equity interest in an Associated Company, Asphalt Processors Inc. In addition, the BNOCL Group comprises three (3) wholly owned subsidiary companies:

- **Barbados National Oilfield Services Limited (BNOSL)** was incorporated in 1998 to provide the services of Operator under a Production Sharing Contract (PSC). Subsequent to the conclusion of that PSC in 2004, BNOSL was retained to execute the exploration and production activities on behalf of the parent Company.
- **Barbados National Terminal Co Ltd (BNTCL or the Terminal)** was incorporated in 1998 following the closure of the Mobil refinery. Its purpose is to manage the storage and distribution of gasoline, diesel and heavy fuel oil, as well as the storage and exportation of crude oil on behalf of the Group. BNTCL also stores aviation (jet) fuel and kerosene on behalf of the major oil companies. BNTCL, which was constructed in 2004, commenced operations

at the temporary Needham's Point Facility in St Michael. It currently operates from its state-of-the-art terminal at Fairy Valley, Christ Church.

Heavy fuel oil is handled at the Esso Terminal at Holborn, St Michael under a long-term lease agreement with Esso Standard Oil S.A. The decision to use the Holborn Terminal for fuel oil was partially influenced by its proximity to the Barbados Light and Power (BL&P) power generating plant at Spring Garden, which consumes approximately 95% of the imported heavy fuel oil.

- **Barbados National Oil Holding Company Limited (BNOHCL)** manages certain real estate assets owned by the Group.

## Corporate Overview

During the year, the BNOCL was able to maintain its supply of petroleum products (i.e. heavy fuel oil, gasoline and ultra-low-sulphur diesel) to the domestic market through contractual arrangements with Novum Energy, Petrotrin, Vitol and Glencore, respectively. Its main focus was on securing the most competitive prices for the benefit of its consumers.

With the declining local natural gas reserves, BNOCL in an effort to satisfy customer demands continued the importation of LNG with imports reaching 161,387 mcf in the financial year, some 242% more than the previous year. This product was sourced from the USA Company, New Fortress Energy Revenue from natural gas sales to its sole customer, the National Petroleum Corporation, thus more than doubled to BDS \$8.43 million.

Unlike the previous year when gasoline prices peaked at BDS\$200 per barrel, the cost during the financial year reached only BDS\$157 per barrel. Diesel imports declined to 470,237 when compared to 513,202 barrels in 2016 with prices peaking at BDS\$164.

### Financial Performance

During the year under review the Group recorded a total comprehensive loss of BDS\$7.7 million when compared to a total comprehensive loss of BDS\$9.9 million in 2016. This was mainly due in part to BNTCL's increased profitability, the reduction of losses from the BNOS entity as well as cost savings in the Company's operations.

The Group's revenue decreased to BDS\$366.5 million or 5% when compared to BDS\$387.3 million in 2016 as the sale of refined petroleum products decreased by 11.9% during the period. The average price for crude oil declined to BDS\$126.57 per

barrel from the previous year at BDS\$129.64 per barrel. Revenue from natural gas increased significantly to BDS\$8.43 million due to revenues associated with the pricing of LNG which was priced significantly higher than the local natural gas.

### **Production**

Crude oil production was 226,780 barrels versus 255,916 barrels in 2016; while natural gas production decreased from 700,666 mcf in 2016 to 557,748 mcf during the period. This prompted a substantial increase in the importation of LNG to supplement local supply and to fulfil NPC's demand for natural gas for its customer base.

### **Terminal Operations**

The process of divestment of BNTCL continued during this period as per the directive from the Company's main shareholder, the Government of Barbados. Meantime, the Company continued to maintain its daily operations effectively while retaining a robust preventative maintenance programme. In addition, initiatives were introduced to ensure that the Company complied with industry standards and best practices in the area of loss control management.

### **Renewable Energy**

Diversification of its energy portfolio continued as the Company sought to further its renewable energy thrust during this period. During the year, the Renewable Energy Department (RED) focused on several activities geared towards advancing the Government's strategy for a renewable energy sector and to explore alternative energy sources. The Department commenced site visits and energy audits at public Secondary schools and BIDC industrial estates. BNOCL also examined the feasibility of undertaking a pilot project using silage and/or organic waste to produce biogas to be converted either to electricity or used to inject into the National grid.

The Department also participated in a three-week Energy Expo in Astana, Kazakhstan.

### **Offshore Activity**

During the year, BNOCL collaborated with BHP Billiton to improve its understanding of the interpretation of cuttings samples from a selection of its wells. The objective of the study was to assist with the determination of ages and tie relative ages of local rock members to key offshore equivalents. Additionally, the study aimed to analyse the relationship of the Oceanic formation with underlying rocks. At the conclusion, the results were shared and discussed with BNOCL.

During the year, BNOCL's representatives continued to sit on both the Barbados Offshore Petroleum Programme Committee and the BHP Billiton Environmental Impact Assessment (EIA) Committee.

## Human Resources Overview

During the year BNOCL continued to focus on its strategic plan to become a diversified energy Company. Consequently, the Human Resources Department (HR) supported this objective through its efforts to enhance the level of professional training for employees, as it sought to strengthen BNOCL's human resource capital.

One of the main areas which the HR Department concentrated on during this period was the preparation for the amalgamation of BNOCL and NPC. Extensive work was undertaken with the KPMG Consultants with regards to information sharing to ensure the success of this alliance.

In addition, the HR Department worked assiduously throughout the period assisting employees as they adjusted to the physical and cultural change process which resulted from the newly implemented KRONOS System. This system facilitated the time, attendance and payroll functions for BNOCL.

### Staff Appointments and Retirements

During the year under review, BNOCL welcomed Mrs. Kathy Moseley to the BNOCL family as the Executive Secretary to the General Manager. Mrs. Moseley is on secondment from the National Petroleum Corporation.

The Company expressed its sincere thanks for the dedicated service of two of its long-standing employees: Mr. Ericson Austin and Mr. Dennis Mayers who retired during this period. Mr. Austin retired after serving BNOSL for thirty-two years, while Mr. Mayers was with BNOSL for twenty-two years. Both gentlemen were employed as mechanics in the Maintenance Department during their tenure with the Company.

As at March 31, 2017 the BNOCL Group employed 133 employees. This number comprised 17 employees at BNOCL; 87 employees at BNOSL and 26 at BNTCL.



*Kathy Moseley  
Executive Secretary*



*Dennis Mayers  
Retired Mechanic*



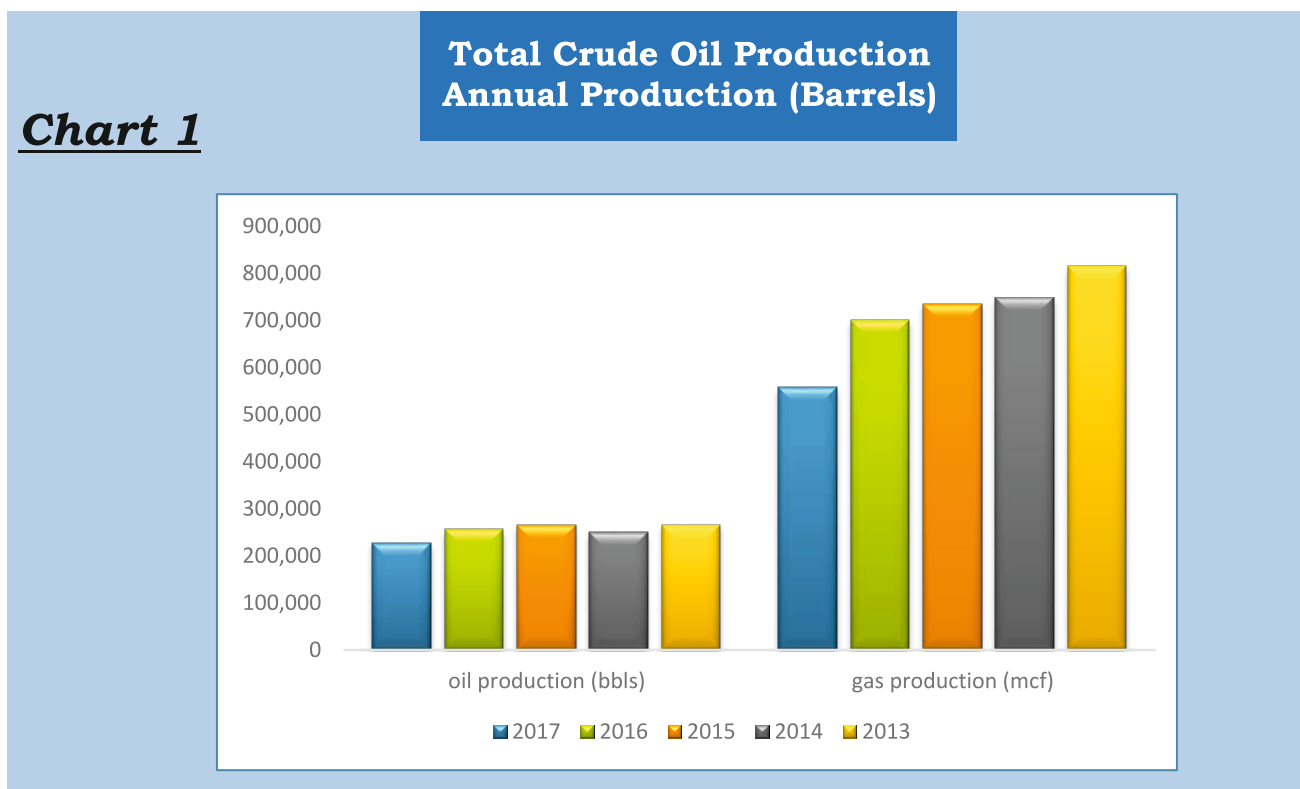
*Ericson Austin  
Retired Mechanic*



## Technical and Operations Overview

### Crude Oil Production

Oil production for the fiscal year was 226,780, a decline of 11% when compared with 255,916 barrels in 2016. This was attributed to a natural as well as mechanical decline. The delay in the initial completion of the wells drilled in the 2015-16 Programme resulted in minimal impact on the company's revenue in the fiscal year under review. **(See Chart 1).**



### Natural Gas Production

For the year under review, natural gas production decreased by 20% from 700,666 mcf in the previous fiscal year to 557,748 mcf. This reduction reflects the low production of the swing gas wells. These wells naturally contribute mainly natural gas and oil production to a very limited extent.

Due to demand for natural gas outstripping the supply from BNOCL's wells, the decision was taken to supplement BNOCL's production with the importation and gasification of liquefied natural gas (LNG). The sale of this commodity commenced in the last quarter of the previous fiscal year, following the commissioning of the LNG Plant at BNOCL's Gas Facility at Woodbourne. The LNG, in addition to the locally produced gas accounts for the total gas sales to NPC.

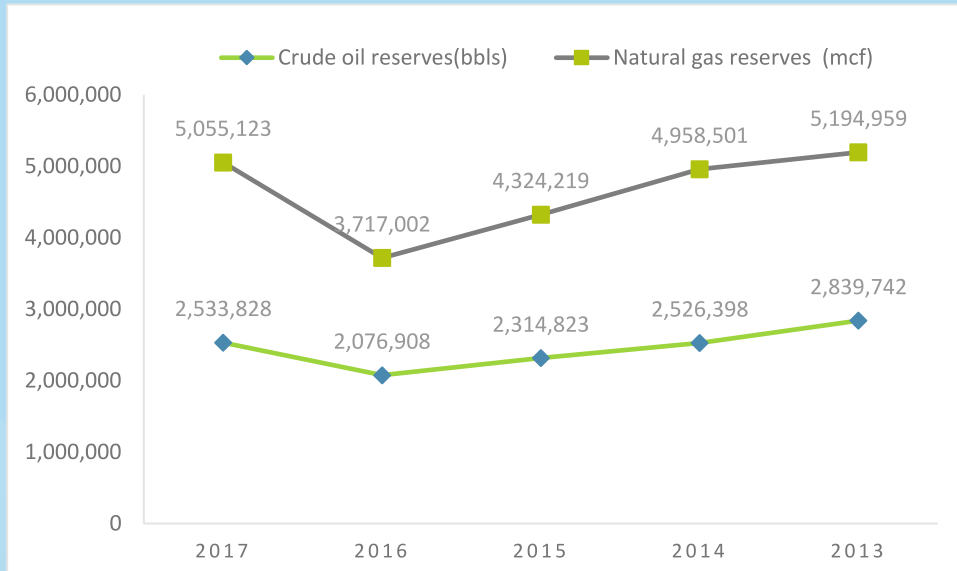
For the year ended March 31, 2017, local natural gas sales fell by 24% from 499,039 mcf in 2016 to 377,432 mcf. In contrast, LNG sales grew exponentially from 668 mcf in 2016 to 161,387 mcf, or by 242% during the period. The overall net effect was an increase in total gas sales of 8% in the fiscal year ended March 31, 2017 as compared to the previous fiscal year.

### Reserves

As at March 31, 2017, BNOCL assessed its crude oil reserves at 2,533,828 barrels which represented an increase of 22% when compared to the previous year. Approximately 508,000 barrels of oil of the overall total crude oil produced was attributed to oil generated from the eight (8) new wells at Lower Greys #25 and #26, Boarded Hall #8, Woodbourne #210, #211, #212 and #213, as well as Society #3. Similarly, the natural gas reserves also increased by 36% to 5,055,123 mcf **(See Chart 2).**

**Crude Oil and Natural Gas Reserves**

**Chart 2**



**Workovers**

During the year, a total of forty-six (46) workovers were performed including routine workovers, initial completions, recompletions, remedial cementation, gravel pack and fracture stimulation.

**Renewable Energy Overview**

The Renewable Energy Department (RED) continued its thrust throughout the financial year to deploy more renewable energy technologies. However, project timelines were significantly increased owing to licensing challenges. System designs were submitted to the Town and Country Development Planning Office for its approval for three Photovoltaic (PV) sites including a 2MW solar farm for installation on BNOCL’s compound. The Company also intended to expand this project to generate an additional 2MW from systems erected at selected abandoned well sites.

During this period, the Department conducted site visits and energy audits at 21 Secondary schools, as well as carried out roof assessments at various industrial estates managed by the Barbados Industrial Development Corporation. These projects were anticipated to yield approximately 4MW of energy per year.

As customary, the RED assisted the Division of Energy & Telecommunications with its Public Awareness and Education Programmes in Renewable Energy and energy conservation. Accordingly, representatives from RED manned a booth at the Youth Energy Forum on “Sustainable Energy: Reflecting on the past, Looking to the Future” organised by that Ministry during its Energy Week in November 2016. This was a key chance to educate this select group of individuals on the emerging opportunities in this sector.

## Terminal Overview

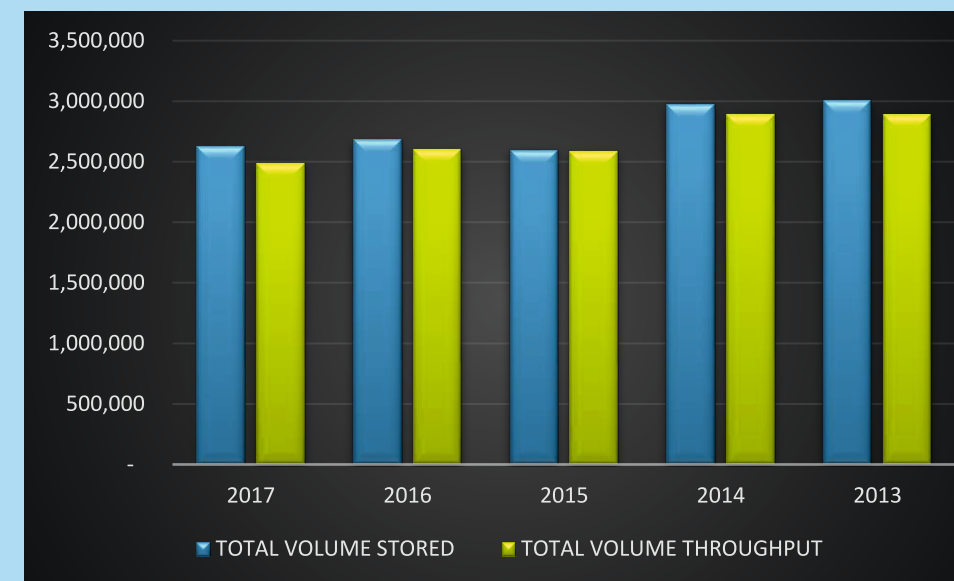
During the period under review, it was anticipated that the divestment of BNTCL would be completed. However, this did not materialise and thus several planned initiatives were deferred. Nonetheless, the Terminal was able to undertake its daily operations effectively in the prevailing environment ensuring reliable operations whilst emphasizing preservation of personnel and the environmental surroundings.

### Stored Volumes of Refined Products

For the financial year, the Terminal stored a total of 2,624,878 barrels of petroleum product (Unleaded gasoline, Ultralow sulphur diesel, fuel oil and asphalt feed), which was 27,889 barrels or 1.0% more than the previous financial year. Moreover, the storage figure was higher than the amounts imported by BNOCL Marketing Department, i.e. 2,527,510 barrels, for the same period. The difference, approximately 97,368 barrels, was attributed to refined products invoiced in the previous financial period but received into storage in the current financial year, along with product imported and sold to the SOL Terminal. The storage of aviation fuel was recorded at 1,420,002 barrels compared to 1,212,706 barrels for the previous financial year. **(See Chart 3).**

### Total Volume of Refined Products – Stored/Throughput (Gasoline, ULSD, HFO, HSD) (000' Barrels)

**Chart 3**



Conversely, throughput volumes for refined petroleum product (unleaded gasoline, ultralow sulphur diesel and fuel oil) decreased in comparison with the previous financial period. This was due mainly to two reasons (a) the steady integration of renewables into the energy mix for power generation and ground transport fuels in the country (b) the increased usage of aviation fuel for power generation which impacted on the consumption of fuel oil volumes. Total throughput volumes recorded for the year was 2,484,366 barrels when compared to 2,600,907 barrels for 2016. However, this trend was not consistent with the throughput volumes for aviation, as these figures stood at 1,303,733 barrels when compared to 1,208,822 barrels for the previous financial period. **(See Chart 4).**

### Loss Control Management

The Terminal continued to implement initiatives to bring loss control management in line with recognised industry standards and best practices. A crude oil transfer meter was installed on the crude oil line from Woodbourne to the Terminal, allowing

(a) crude receipts to be reconciled more efficiently and (b) the establishment of loss control limits for reconciliation of crude oil. Additionally, at the end of this reporting period, management introduced procedures to actively investigate and report on product reconciliation and losses beyond the acceptance tolerance and to make recommendations for correction and improvement. In general, there was an overall improvement in the reconciliation of product sales and a marginal reduction in the loss variances for the period.

### Asset Integrity Management

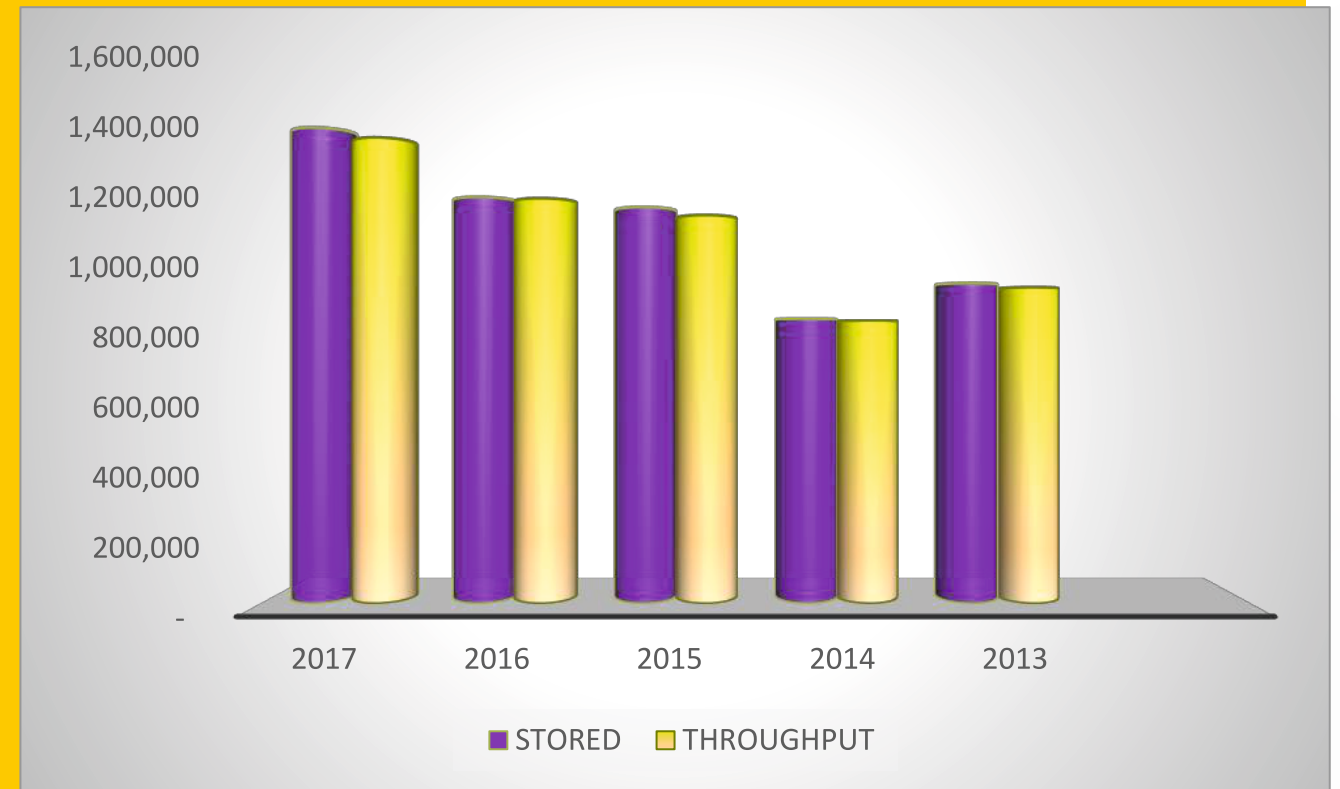
The critical elements to maintain the Terminal's crucial operating assets at near 100% effectiveness included risk-based inspections together with a robust preventative maintenance programme. The reliability of these assets was constantly maintained, whilst reducing unplanned maintenance/shutdowns and operating within financial constraints.

The Oistins berth inspection and marine survey were completed successfully, within schedule and budget, despite the expansion of the scope of works to include integrity hose testing as required. Additionally, the aviation storage tanks were cleaned, inspected and refurbished without any safety incidents or disruption in supplying aviation fuel to both the Airport and BL&P and well within the planned budgetary cost.

Plans were finalised for the repair and assessment of the pipelines based on the recommendations of the validation of the pipeline inspection carried out in 2016. This project was curtailed as well due to the expected divestment of BNTCL. The Pipeline Integrity Maintenance Program, a precursor to the inspection was successfully introduced into the operations and maintenance of the pipelines.

### Total Volume of Jet Fuel Stored/Throughput (Barrels)

**Chart 4**



## Health & Safety Overview

BNOCL's Health and Safety programme extended not only to the wellbeing of its employees, but decidedly included those households and businesses that reside and operate within the Woodbourne basin where its major operational activity occurs.

During the year under review, there was continued emphasis on safety and educating staff on this matter. Therefore, intensive training was conducted for supervisory and line staff in several areas including Accident Prevention and Investigation and Roles and Responsibilities of Management and Employees.

The Health and Safety Committee convened regular meetings throughout the year to review safety performance, accidents and to conduct safety and environment audits. In addition, BNOCL held its annual Health Fair in November where its employees and residents from the community benefited from free health services and consultations with representatives from several health Non-Governmental Organisations. Monthly health talks were also organised during the period on topics including drug and alcohol addiction, cancer and cardiovascular health.

The quarterly Joint Water Monitoring Programme with the Barbados Water Authority, ongoing since its inception in 1996 continued with sampling taking place at strategic locations within the Woodbourne oilfield. Results from those analyses indicated that water quality in the catchment from which the water is extracted at the nearby Hampton Pumping station has not been compromised, principally due to our field management practices.

From a regulatory standpoint, BNOCL continues to be compliant with annual inspections and obligations by national agencies such as the Labour Department and Fire Service. The BNOCL has also benefitted from advice and training conducted by these organisations and from these relationships.

Management concentrated on improving the overall process safety of the operations at BNTCL while enhancing and maintaining the overall safety culture of the organisation. Therefore, risk mitigation and identification of hazards skills were enhanced through training. Overall, this positively impacted the organisation which registered no spills and recorded loss time due to injury of only 10% during the period under review.

## Financial Overview

### Net Income

The BNOCL Group experienced a total comprehensive loss of (BDS\$7.1 million) for the year ended March 2017 as compared to a loss of (BDS\$9.9 million) in 2016. The parent Company BNOCL, as an entity, recorded a total comprehensive loss of (BDS\$3.1 million) for the year 2017 as compared to a loss of BDS\$1.5 million in 2016. BNOSL also recorded a total comprehensive loss in 2017. This totaled BDS\$8.6 million as compared to a loss of (BDS\$10.7 million) in 2016.

The decline in net loss was primarily due to the increased profitability of BNTCL driven by cost reduction measures and the reduction in the losses of BNOSL due to increases in natural gas revenue and the reduction of field expenses. BNTCL recorded a total comprehensive income of BDS\$4.7 million in 2017. This was more than double the total comprehensive income of BDS\$2.3 million recorded in 2016.

### Revenue

The Group's gross revenue decreased by 5.4% from BDS\$387.33 million in the year ended March 31, 2016 to BDS\$366.51 million in the current year. The sale of refined petroleum products accounted for BDS\$319.90 million or 87.3% of gross revenue for the current year. This represented a 11.9% decrease on the previous year's refined products revenue of BDS\$362.97 million. The decrease in this segment of the business resulted from the sale of a slightly lower volume of product at slightly lower average prices.

In the year under review, 2.53 million barrels were sold at an average price of BDS\$126.57 per barrel while for the financial year ended March 31, 2016, 2.80 million barrels were sold at an average price of BDS\$129.64 per barrel. Revenue

from the sale of natural gas more than doubled from BDS\$3.75 million in 2016 to BDS\$8.43 million in the year under review. The price of indigenous natural gas to the National Petroleum Corporation continued to be fixed at a rate of BDS\$7.50 per mcf while imported gas was sold to the NPC at a rate calculated on a cost-plus margin basis.

BNTCL's throughput fees to non-related companies increased by 8.3% or BDS\$0.67 million from BDS\$8.07 million in 2016 to BDS\$8.75 million in the current year. These amounts are included in the total Terminal's throughput fees of BDS\$27 million in the current year which was relatively stable compared to the figure of BDS\$26.85 million for 2016.

### Operating Cost

The operating cost of the Group decreased by 6.8% from BDS\$376.45 million in 2016 to BDS\$351 million in the current year. The major contributor was a decrease in the overall cost of refined product to BDS\$312.89 million in the current year compared with a cost of BDS\$330.12 million in 2016. This was attributable partially to a reduction in the volumes imported and in part to lower costs per barrel. This represented a decrease of 5.2% when compared to the previous year.

### General and Administration Expenses

In the year under review, the Group's General and Administration expenses decreased by 6.9% from BDS\$14.26 million in 2016 to BDS\$13.27 million while its debt servicing costs decreased by 19.6% from BDS\$8.59 million in 2016 to BDS\$6.90 million. The reduced debt servicing costs was mainly due to the amortisation of the various loans of the Group. Consequently, total loans for 2017 were BDS\$89.74 million, versus BDS\$110.13 million in the previous year.

### *Other Income and Expenses*

Other income, which comprised mainly interest income, gain on disposal of property, plant and equipment and other income, increased by BDS\$0.05 million from BDS\$0.50 million in 2016 to BDS\$0.55 million in the current year.

### *Cash Flow*

The Group utilised BDS\$2.46 million from its operating activities for the current year. This was a significant decrease compared to the cash generated from operations of BDS\$35.91 million in 2016. The Company's capital expenditure totaled BDS\$11.82 million in 2017 while the cash flow used in financing activities totaled BDS\$40.03 million, primarily as a result of the purchase of debt securities. The overall decrease in cash balances of the Group of BDS\$54.31 million reduced the opening cash balance from BDS\$32.91 million to a negative position of BDS\$21.40 million.

# **Barbados National Oil Company Limited**

**Consolidated Financial Statements**

**March 31, 2017**

**(expressed in Barbados dollars)**

# Barbados National Oil Company Limited

## Registered office

Woodbourne  
St. Philip  
Barbados

## Directors

### (Until May 25, 2018, except where stated)

Dr. Leonard Nurse - Chairman  
Mr. Ronald Hewitt – Deputy Chairman  
Mr. Leslie Barker  
Mr. Ashley Bignall (Ceased December 31, 2017)  
Mr. Noel Greenidge (Appointed April 16, 2016)  
Mr. Everton Lashley  
Mr. Jehu Wiltshire  
Mr. Hayden Workman

### (Appointed September 3, 2018)

Mr. William Alexander McDonald - Chairman  
Ms. Lachmi Connell - Deputy Chairman  
Mrs. Ethnie Bellamy-Weekes  
Mrs. Stephanie Catling-Birmingham  
Ms. Alexandra Daniel  
Mr. Lorenzo Harewood (Ceased February 8, 2019)  
Mrs. Andria Shepherd-Payne  
Mr. David Straughn

## Corporate Secretary

Mrs. Monica Hinds (Ceased December 31, 2017)  
Mr. Ashley Bignall (Appointed January 1, 2018)

## Auditor

PricewaterhouseCoopers SRL

## Banker

Republic Bank (Barbados) Limited

## Attorneys-at-law

Mr. Roger C. Forde, QC  
Mr. Aidan J. Rogers  
Charles Russell Speechlys



## Independent auditor's report

To the Shareholders of Barbados National Oil Company Limited

### Our qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Barbados National Oil Company Limited (the Company) and its subsidiaries (together 'the Group') as at March 31, 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2017;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Basis for qualified opinion

The in-house and external oil and gas reserves reports prepared as at March 31, 2017 did not fully evaluate in-place volumes, reserves resources and project cost assumptions nor were prepared in accordance with Society of Petroleum Engineers or Petroleum Resource Management System guidelines. As such the oil and gas reserves reported in both reports were deemed to be inconclusive. In the absence of reliable information with respect to the Group's oil and gas reserves, we were unable to determine whether adjustments might have been necessary in respect of the depletion costs reported in the consolidated statement of comprehensive income and consolidated statement of cash flows, and property, plant and equipment reported in the consolidated statement of financial position for the current year.

The Group has not measured its provision for abandonment based on the present value of the expected future cash flows that will be required to perform the decommissioning. This is not in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. As such we were unable to determine whether adjustments might have been necessary in respect of property, plant and equipment and the provision for abandonment reported in the consolidated statement of financial position and depletion costs reported in the consolidated statement of comprehensive income and the consolidated statement of cash flows for the current and prior year.

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies  
T: +246-626-6700, F: +246-436-1275, [www.pwc.com/bb](http://www.pwc.com/bb)





We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

#### **Other information**

*Management* is responsible for the other information. The other information comprises the 2017 Annual report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Other Matter

This report is made solely to the Group's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

*PricewaterhouseCoopers SRL*

Bridgetown, Barbados  
July 16, 2019

## Barbados National Oil Company Limited

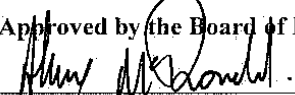
Consolidated Statement of Financial Position  
As at March 31, 2017

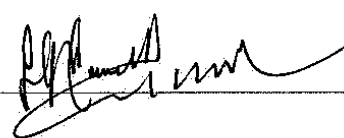
(expressed in Barbados dollars)

	2017 \$	2016 \$
<b>Current assets</b>		
Cash and cash equivalents (note 5)	4,452,137	32,908,932
Term deposits (note 6)	6,972,914	6,762,994
Debt service reserve (note 7)	10,273,881	10,273,881
Accounts and other receivables (note 8)	52,508,283	35,184,008
Due by related companies (note 9)	24,997,555	17,206,645
Inventories (note 11)	39,608,767	33,978,567
Prepaid expenses	490,449	293,982
Financial investments (note 10)	19,840,000	-
Corporation tax refundable	1,461,169	1,462,165
	<b>160,605,155</b>	<b>138,071,174</b>
<b>Current liabilities</b>		
Bank overdraft (note 5)	25,856,605	-
Accounts payable and accrued liabilities (note 15)	116,717,411	118,750,870
Borrowings - current portion (note 7)	17,995,265	20,964,970
Due to Government of Barbados (note 16)	10,200,000	10,200,000
	<b>170,769,281</b>	<b>149,915,840</b>
<b>Working capital (deficit)/surplus</b>	<b>(10,164,126)</b>	<b>(11,844,666)</b>
<b>Debt service reserve</b> (note 7)	<b>-</b>	<b>21,072,389</b>
<b>Long-term accounts and other receivables</b> (note 8)	<b>24,566,874</b>	<b>20,895,833</b>
<b>Financial investments</b> (note 10)	<b>8,054,122</b>	<b>8,430,405</b>
<b>Inventories</b> (note 11)	<b>1,083,442</b>	<b>1,042,608</b>
<b>Investment in associated company</b> (note 12)	<b>468,667</b>	<b>663,326</b>
<b>Property, plant and equipment</b> (note 13)	<b>199,506,439</b>	<b>196,858,806</b>
<b>Deposit on plant and equipment</b> (note 14)	<b>1,669,069</b>	<b>877,449</b>
<b>Provision for abandonment</b> (note 17)	<b>(38,151,297)</b>	<b>(34,682,997)</b>
<b>Accounts payable and accrued liabilities</b> (note 15)	<b>(45,303,620)</b>	<b>(38,785,183)</b>
<b>Employee benefits</b> (note 18)	<b>(2,399,999)</b>	<b>(637,554)</b>
<b>Borrowings</b> (note 7)	<b>(71,747,869)</b>	<b>(89,161,914)</b>
<b>Deferred tax asset</b> (note 19)	<b>91,443</b>	<b>80,922</b>
<b>Net assets</b>	<b>67,673,145</b>	<b>74,809,424</b>
Represented by:		
<b>Equity</b>		
Share capital (note 20)	41,014,809	41,014,809
Retained earnings	26,658,336	33,794,615
	<b>67,673,145</b>	<b>74,809,424</b>

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors on May 27, 2019

 Director

 Director

## Barbados National Oil Company Limited

Consolidated Statement of Changes in Equity

For the year ended March 31, 2017

(expressed in Barbados dollars)

Reserve	Share capital \$	earnings \$	Total \$
<b>Balance at March 31, 2015</b>	41,014,809	43,706,730	84,721,539
Net loss for the year	–	(9,859,826)	(9,859,826)
Other comprehensive loss	–	(52,289)	(52,289)
Total comprehensive loss for the year	–	(9,912,115)	(9,912,115)
<b>Balance at March 31, 2016</b>	41,014,809	33,794,615	74,809,424
Net loss for the year	–	(4,305,937)	(4,305,937)
Other comprehensive loss	–	(2,830,342)	(2,830,342)
Total comprehensive loss for the year	–	(7,136,279)	(7,136,279)
<b>Balance at March 31, 2017</b>	<b>41,014,809</b>	<b>26,658,336</b>	<b>67,673,145</b>

The accompanying notes form an integral part of these financial statements.

## Barbados National Oil Company Limited

Consolidated Statement of Comprehensive Income

March 31, 2017

For the year ended

(expressed in Barbados dollars)

	2017 \$	2016 \$
<b>Revenue</b>		
Upstream revenue (note 21)	37,870,622	16,290,400
Refined products sales	319,895,181	362,969,220
Terminal throughput fees	8,747,334	8,074,424
	<b>366,513,137</b>	<b>387,334,044</b>
<b>Operating costs</b>		
Cost of goods sold - refined products (note 24)	312,892,302	330,122,470
Cost of sold - crude oil (note 24)	13,723,114	16,721,037
Facilities leasing costs (note 27)	3,846,645	3,644,871
Terminal operating costs (note 24)	5,465,242	6,623,721
Depreciation (note 13)	8,340,502	9,500,683
Depletion (note 13)	3,187,823	4,703,072
Royalties	2,859,022	3,180,605
Provision for inventory obsolescence (note 11)	680,435	1,955,269
	<b>350,995,085</b>	<b>376,451,728</b>
<b>Gross profit</b>	<b>15,518,052</b>	<b>10,882,316</b>
<b>General and administrative expenses</b> (note 24)	<b>(13,269,918)</b>	<b>(14,256,421)</b>
<b>Interest expense</b> (note 7)	<b>(6,903,238)</b>	<b>(8,590,492)</b>
	<b>(4,655,104)</b>	<b>(11,964,597)</b>
<b>Operating loss</b>	<b>(4,655,104)</b>	<b>(11,964,597)</b>
<b>Other income</b> (note 22)	<b>547,858</b>	<b>502,261</b>
	<b>(4,107,246)</b>	<b>(11,462,336)</b>
<b>Net loss before share of loss of associated company</b>	<b>(4,107,246)</b>	<b>(11,462,336)</b>
<b>Share of loss of associated company</b> (note 12)	<b>(194,659)</b>	<b>(98,042)</b>
	<b>(4,301,905)</b>	<b>(11,560,378)</b>
<b>Loss before taxation</b>	<b>(4,301,905)</b>	<b>(11,560,378)</b>
Taxation (note 19)	(4,032)	1,700,552
	<b>(4,305,937)</b>	<b>(9,859,826)</b>
<b>Net loss for the year</b>	<b>(4,305,937)</b>	<b>(9,859,826)</b>
<b>Other comprehensive loss</b>		
Premeasurements of defined employee benefits (note 19)	(2,830,342)	(52,289)
	<b>(7,136,279)</b>	<b>(9,912,115)</b>
<b>Total comprehensive loss for the year</b>	<b>(7,136,279)</b>	<b>(9,912,115)</b>

The accompanying notes form an integral part of these financial statements.

## Barbados National Oil Company Limited

Consolidated Statement of Cash Flows  
For the year ended March 31, 2017

(expressed in Barbados dollars)

	2017 \$	2016 \$
<b>Cash flows from operating activities</b>		
Net loss for the year before tax	(4,301,905)	(11,560,378)
Adjustments for:		
Depreciation	8,340,502	9,500,683
Depletion	3,187,823	4,703,072
Provision for inventory obsolescence	680,435	1,955,269
Pension plan expense	621,710	801,225
Share of loss of associated company	194,659	98,042
Interest expense	6,903,238	8,590,492
Interest income	(1,029,371)	(1,078,298)
Gain on disposal of property, plant and equipment	(34,628)	(54,553)
Amortisation of inventories	310,231	310,231
Amortisation of bond issue cost	118,910	149,487
Translation of US\$ bond	67,529	62,816
Write-off of deposit on assets	355	-
Write-off of intangible drilling cost	404	33,165
Operating income before working capital changes	15,059,892	13,511,253
Increase in term deposit	(209,920)	(69,808)
Decrease/(increase) in debt service reserve	21,072,389	(9,239,184)
(Increase)/decrease in accounts receivable	(20,995,316)	17,669,420
Increase in amount due by related companies	(7,790,910)	(1,933,090)
(Increase)/decrease in inventories	(6,310,635)	11,689,451
(Increase)/decrease in prepaid expenses	(196,467)	14,951
Decrease in due from Government of Barbados	-	2,219,345
Increase in accounts payable and accrued liabilities	4,484,978	10,808,655
Cash generated from operations	5,114,011	670,993
Interest paid	(6,903,238)	(8,675,403)
Income taxes paid (net)	(13,557)	(10,258)
Pension plan contributions paid	(1,689,607)	(1,152,658)
Interest received	1,029,371	1,078,298
Net cash (used in)/generated from operating activities	(2,463,020)	35,910,972
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(10,441,696)	(20,383,029)
(Increase)/decrease in deposit on plant and equipment	(1,058,341)	871,810
Proceeds from disposal of property, plant and equipment	34,628	54,553
Purchase of inventory - tank heels	(351,065)	-
Net cash used in investing activities	(11,816,474)	(19,456,666)
<b>Carried forward</b>	(14,279,494)	16,454,306

## Barbados National Oil Company Limited

Consolidated Statement of Cash Flows ...continued  
For the year ended March 31, 2017

(expressed in Barbados dollars)

	2017 \$	2016 \$
<b>Brought forward</b>	(14,279,494)	16,454,306
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(20,570,189)	(20,811,553)
Proceeds from borrowings	-	62,816
Repayment of debt securities	813,693	455,957
Purchase of debt securities	(40,121,410)	(321,823)
Redemption of debt securities	19,844,000	15,414,666
Net cash used in financing activities	(40,033,906)	(5,199,937)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(54,313,400)	11,254,369
<b>Cash and cash equivalents - beginning of year</b>	32,908,932	21,654,563
<b>Cash and cash equivalents - end of year (note 5)</b>	(21,404,468)	32,908,932

The accompanying notes form an integral part of these financial statements.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 1 General information

The Company is incorporated under the Laws of Barbados. The common shares are 75.48% owned by the Government of Barbados and 24.52% by the National Petroleum Corporation.

The principal activities of Barbados National Oil Company Limited (“the Company” or “BNOCL”) and its subsidiaries (“the Group”) are the exploration and production of the onshore hydrocarbon potential of Barbados and the importation, storage and supply of petroleum products to the Barbados market.

### 2 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 years presented, unless otherwise stated.

#### a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### i) *New standards, amendments and interpretations adopted by the Group*

The following amendment to published standards is applicable to the financial period. The amendment below did not have a significant impact on the financial statements:

**Amendment to IAS 1, ‘Presentation of financial statements’** on the disclosure initiative (effective January 1, 2016). These amendments are a part of the IASB initiative to improve presentation and disclosure in financial reports.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 2 Significant accounting policies ...continued

#### a) Basis of preparation ...continued

#### ii) *New standards, amendments and interpretations mandatory for the first time for the financial period beginning April 1, 2016 but not currently relevant to the Group*

**Amendment to IFRS 10 and IAS 28** on investment entities applying the consolidation exception (effective January 1, 2016).

**Amendment to IFRS 11, ‘Joint arrangements’** on acquisition of an interest in a joint operation (effective January 1, 2016).

**IFRS 14, ‘Regulatory deferral accounts’** (effective January 1, 2016).

**Amendments to IAS 16, ‘Property, plant and equipment’**, and IAS 41, ‘Agriculture’, regarding bearer plant (effective January 1, 2016).

**Amendment to IAS 16, ‘Property, plant and equipment’** and IAS 38, ‘Intangible assets’, on depreciation and amortisation (effective January 1, 2016).

**Amendments to IAS 27, ‘Separate financial statements’** on the equity method (effective January 1, 2016).

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements  
March 31, 2017

(expressed in Barbados dollars)

### 2 Significant accounting policies ...continued

#### b) Basis of preparation ...continued

#### iii) New standards, amendments and interpretations issued but not yet effective for the financial period beginning April 1, 2017 and not early adopted ...continued

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and has determined that the following are relevant to the Group's operations. The Group has not early adopted the new standards, amendments and interpretations nor has the Group assessed their full impact.

IAS 7 (Amendment)	'Statement of cash flows' on disclosure initiative. These amendments introduce additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. (effective January 1, 2017)
IFRS 9	'Financial instruments' simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value where the basis of classification depends on an entity's business model and the contractual cash flow characteristics of the financial asset. (effective January 1, 2018)
IFRS 15	'Revenue from contracts with customers'. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. (effective January 1, 2018)
IFRS 16	'Leases'. This new standard now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. (effective January 1, 2019)

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements  
March 31, 2017

(expressed in Barbados dollars)

### 2 Significant accounting policies ...continued

#### c) Basis of consolidation

These consolidated financial statements include the accounts of BNOCL and its wholly-owned subsidiary companies, Barbados National Oilfield Services Limited (BNOSL), Barbados National Terminal Company Limited (BNTCL) and Barbados National Oil Holding Company Limited (BNOHCL).

#### d) Revenue recognition

Upstream revenue represents revenue from the production and sale of natural gas and crude oil. It is recognised on an accrual basis net of VAT.

Refined product sales reflect the invoiced value of goods and services provided net of VAT and are recognised on an accrual basis. They also include the net refined value of crude oil produced.

Throughput fees reflect the invoiced value of storage fees for petroleum products net of VAT and are recognised on an accrual basis.

Interest income is interest earned from bank deposits and money market placements and is recognised on an accrual basis.

#### e) Investment in associated company

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates profits or losses is recognised in the consolidated statement of comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

#### f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the price at which stock can be realised in the normal course of business, less incidental costs of transportation, storage and refining. Provision is made for obsolete or slow moving items. Non-current inventory represents tank heels and can only be sold when tanks are emptied. Amortisation of tank heels is charged over 3 - 5 years depending on the product.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 2 Significant accounting policies ...continued

#### g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Building	- 3 - 30 years
Furniture and office equipment	- 3 - 5 years
Motor vehicles	- 4 - 5 years
Well equipment	- 15 years
Natural Gas Compression facilities	- 10 years
Seismic cost	- 10 years
Production and operating equipment	- 10 years
Pipelines and terminal	- 35 years

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statement of comprehensive income.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each consolidated statement of financial position 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.

#### h) Intangible drilling costs and depletion

Intangible drilling costs incurred in the development of an exploratory well are capitalised in these consolidated financial statements under the successful efforts method of accounting.

Intangible drilling costs are amortised on the basis of the existing production of hydrocarbons for the year relative to the total proven developed reserves of hydrocarbons, using a combination of the Decline Curve Analysis and the Empirical Volumetric calculations based on log analysis techniques.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 2 Significant accounting policies ...continued

#### i) Foreign currency translation

##### i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Barbados dollars, which is the Group's functional and presentation currency.

##### ii) Transactions and balances

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

#### j) Employee benefits

The Group operates a defined benefit pension plan on behalf of the employees, the assets of which are held in a segregated fund. The pension plan is funded by payments from employees and the Group, taking into account the recommendations of independent qualified actuaries.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the consolidated statement of financial position 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 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 long-term government securities. All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated statement of other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the consolidated statement of comprehensive 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.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 2 Significant accounting policies ...continued

#### k) Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, and are shown in the consolidated statement of comprehensive income.

#### l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### m) 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 of these receivables. A provision for impairment of accounts receivable 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. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of the provisions is recognised in the consolidated statement of comprehensive income.

#### n) Taxation

Taxation expense in the consolidated statement of comprehensive income comprises current tax charges.

Current tax charges are based on taxable income for the year, which differ from the income before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at consolidated statement of financial position date.

The Group follows the liability method of accounting for deferred tax.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. 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 financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 2 Significant accounting policies ...continued

#### o) 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 consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are expensed.

#### p) Provision for abandonment

A provision is established towards the cost of returning the surface location of each successful well to its original condition. The cost is included as part of the intangible drilling costs and depleted over the production life of the well.

#### q) Royalty expense

Royalty expense is charged by the Government of Barbados at a rate of 12.5% on the sale of crude oil and natural gas. The basis is in accordance with the substance of the relevant agreements.

#### r) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost.

#### s) Impairment of non-financial assets

Fixed assets and other non-financial 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 levels for which there are separately identifiable cash flows.

#### t) 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 are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.



## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 3 Critical accounting judgements and key sources of estimation uncertainty

Judgements and estimates 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.

#### Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### a) *Estimated impairment of assets*

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in the significant accounting policies section. The recoverable amounts of some assets have been determined based on value-in-use calculations. These calculations require the use of estimates.

#### b) *Depletion of intangible drilling and development costs*

The Group makes provisions for the depletion of its intangible drilling and development costs as stated in Note 13. Judgement is required in determining the level of depletion based on the estimated reserves of the Group's wells.

#### c) *Employee benefits*

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are disclosed in Note 18. Any changes in these assumptions will impact the carrying amount of pension obligations or assets.

#### d) *Provision for abandonment*

A provision is established towards the cost of returning the surface location of each successful well to its original condition as stated in Note 17. Judgement is required in determining the provision based on the estimated remedial cost of the Group's wells.

#### e) *Provision for obsolescence*

The Group make provisions for obsolete inventory as disclosed in note 11. Judgement is required in determining the level of provision based on the age and future use of the inventory item.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the management team through continuous review of Group performance.

#### a) **Market risk**

##### i) *Foreign currency risk*

The Group is not exposed to significant foreign exchange risk. Foreign currency transactions are primarily from petroleum product purchases and maintenance of the terminal facility.

These transactions have been formally fixed to United States dollars (US\$) to mitigate exposure to fluctuations in foreign currency exchange rates, where the Barbados dollar and United States dollar are fixed 2:1.

##### ii) *Cash flow and fair value interest rate risk*

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 which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2017 and 2016, the Group's borrowings at variable rate were denominated in the Barbados dollar and United States dollar.

At March 31, 2017, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net income for the year would have been \$176,731 (2016 - \$228,288) lower or higher, mainly as a result of higher or lower finance costs on floating rate borrowings.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's credit risk arises from cash and cash equivalents, deposits with financial institutions as well as credit exposure to customers and other receivable.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history, financial position, credit quality and other factors. Sales balances due from customers are settled in cash. Deposits are placed only with well known banks and financial institutions.

The maximum credit risk exposure is as follows:

	2017		2016	
	\$	%	\$	%
Cash and bank balances	4,452,137	3.86	32,908,932	26.79
Term deposit	6,972,914	6.05	6,762,994	5.51
Debt service reserve	10,273,881	8.91	31,346,270	25.52
Accounts and other receivables	40,670,646	35.29	26,182,053	21.31
Due by related companies	24,997,555	21.69	17,206,645	14.01
Financial investments	27,894,122	24.20	8,430,405	6.86
	<b>115,261,255</b>	<b>100.00</b>	<b>122,837,299</b>	<b>100.00</b>

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet reasonable expectations of its short term obligation. Due to the dynamic nature of the underlying businesses, the Group's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year \$	More than 1 year \$	Total \$
<b>At March 31, 2017</b>			
Bank overdraft	25,856,605	–	25,856,605
Borrowings	23,391,538	88,712,840	112,104,378
Accounts payable	115,959,983	45,303,620	161,263,603
Due to Government of Barbados	10,200,000	–	10,200,000
<b>Total liabilities</b>	<b>175,408,126</b>	<b>134,016,460</b>	<b>309,424,586</b>
<b>At March 31, 2016</b>			
Borrowings	27,612,162	111,032,593	138,644,755
Accounts payable	117,832,418	38,785,183	156,617,601
Due to Government of Barbados	10,200,000	–	10,200,000
<b>Total liabilities</b>	<b>155,644,580</b>	<b>149,817,776</b>	<b>305,462,356</b>

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### c) Liquidity risk ...continued

The table below analyses the Group's financial assets into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date.

	Less than 1 year \$	More than 1 year \$	Total \$
<b>At March 31, 2017</b>			
Cash and cash equivalents	4,452,137	–	4,452,137
Term deposits	6,972,914	–	6,972,914
Debt service reserve	10,273,881	–	10,273,881
Accounts and other receivables	40,670,646	–	40,670,646
Due by related companies	24,997,555	–	24,997,555
Financial investments	19,840,000	8,054,122	27,894,122
<b>Assets held for managing liquidity</b>	<b>107,207,133</b>	<b>8,054,122</b>	<b>115,261,255</b>
<b>At March 31, 2016</b>			
Cash and cash equivalents	32,908,932	–	32,908,932
Term deposits	6,762,994	–	6,762,994
Debt service reserve	10,273,881	21,072,389	31,346,270
Accounts and other receivables	26,182,053	–	26,182,053
Due by related companies	17,206,645	–	17,206,645
Financial investments	–	8,430,405	8,430,405
<b>Assets held for managing liquidity</b>	<b>93,334,505</b>	<b>29,502,794</b>	<b>122,837,299</b>

#### Capital risk management

The Group's objective is to provide returns to its shareholders and benefits to other stakeholders and to reduce operating cost.

The Group uses the gearing ratio to monitor capital. This ratio is calculated as net debt divided by total capital. Net debt is current borrowings less cash. Total capital is equity plus net debt.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 5 Cash and cash equivalents

	2017 \$	2016 \$
Cash on hand and at bank	4,452,137	32,908,932
Bank overdraft	(25,856,605)	–
	<b>(21,404,468)</b>	<b>32,908,932</b>

The company has an overdraft facility of \$30,000,000 with Republic Bank (Barbados) Limited.

The bank overdraft is secured by the following securities:

- A legal mortgage of \$30M over all the assets of the Company and assignment of an insurance policy over stock held at BNTCL.
- Lien over fixed deposit for \$6,400,000.
- Lien over bank accounts for US\$150,000 in the name of the Company.
- Assignment of an insurance policy expiring April 1, 2017.

The interest rate on the overdraft is based on the minimum savings rate plus 3.74% per annum. The effective rate applicable to the facility at the statement of financial position date was 6.25% (2016 - 6.25%).

### 6 Term deposits

	2017 \$	2016 \$
Term deposits	6,972,914	6,762,994

Term deposits have maturities of 6 months or less and bear interest at 0.03% to 0.60% (2016 - 0.07% to 0.70%) (Note 5).

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 7 Borrowings

	2017 \$	2016 \$
i) Barbados National Oil Company Limited	20,850,919	31,146,496
ii) Barbados National Terminal Company Limited	68,892,215	78,980,388
	<u>89,743,134</u>	<u>110,126,884</u>
Less: Current portion	(17,995,265)	(20,964,970)
Long-term portion	<u>71,747,869</u>	<u>89,161,914</u>

#### i) Barbados National Oil Company Limited

##### Bond issue

On January 16, 2010, a Trust Deed agreement was executed between the Company and Republic Bank Finance & Trust (formerly BNB Finance & Trust Corporation), to raise the aggregate sum of \$160M comprising BDS\$ and US\$ bonds for the purpose of financing the Company's short and medium term obligations.

Bonds are tenured over a period of 3 - 9 years in five series at fixed and floating rates:

- i) Series 1 - BDS\$25M with interest rate of 5.25% per annum matured on December 31, 2012.
- ii) Series 2 - US\$25M with interest rate of 5.75% per annum and matured on December 31, 2014.
- iii) Series 3 - BDS\$25M with interest rate of 6.375% per annum and matured on December 31, 2016.
- iv) Series 4 - BDS\$20M with interest rate of 6.75% per annum and matures on December 31, 2019.
- v) Series 5 - US\$20M with interest rate of 7.25% per annum for the first 3 years and thereafter a determined rate at 0.5% above the interest rate for US\$ Bonds issued by the Government of Barbados with similar maturity and risk.

The bond issue comprises of:

	2017 \$	2016 \$
a) Fixed rate bonds - BDS\$	6,981,091	12,926,093
b) Floating rate bonds - US\$	14,096,770	18,566,254
	<u>21,077,861</u>	<u>31,492,347</u>
Less issue costs	(226,942)	(345,851)
	<u>20,850,919</u>	<u>31,146,496</u>

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 7 Borrowings ...continued

#### i) Barbados National Oil Company Limited ...continued

##### Bond issue ...continued

	2017 \$	2016 \$
<b>Non-current</b>		
a) Fixed rate bonds - BDS\$/US\$	4,589,692	6,981,091
b) Floating rate bonds - US\$	9,291,971	14,096,769
	<u>13,881,663</u>	<u>21,077,860</u>
Less issue costs	(226,942)	(345,851)
	<u>13,654,721</u>	<u>20,732,009</u>
<b>Current</b>		
a) Fixed rate bonds - BDS\$/US\$	2,391,399	5,945,002
b) Floating rate bonds - US\$	4,804,799	4,469,485
	<u>7,196,198</u>	<u>10,414,487</u>
	<u>20,850,919</u>	<u>31,146,496</u>

The Bonds are secured by a charge over the Debt Service Reserve Account and a guarantee by the Government of Barbados in favour of the Trustee.

The fair value of the borrowings are as follows:

	Fair value	
	2017 \$	2016 \$
Borrowings	<u>63,436,233</u>	<u>89,649,992</u>

The fair value of current borrowings approximates their carrying values as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the latest bond rates which range from 4.68% to 5.18% (2016 - 3.61% to 5.22%).

##### Debt Service Reserve Account

The Company is required to maintain a Debt Service Reserve Account in an amount equal to the total amount of scheduled principal payments plus interest due and payable on each payment date for the next twelve months on the outstanding bonds. At year end the debt service reserve account held \$10,273,881 (2016 - \$31,346,270).

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 7 Borrowings ...continued

#### ii) Barbados National Terminal Company Limited

	2017 \$	2016 \$
<b>Non-current</b>		
a) Fixed rate bond	21,250,000	23,750,000
b) Bank borrowings	34,027,778	37,916,667
c) Bank borrowings	2,815,370	6,763,238
	<u>58,093,148</u>	<u>68,429,905</u>
<b>Current</b>		
Borrowings	<u>10,799,067</u>	<u>10,550,483</u>
<b>Total borrowings</b>	<u>68,892,215</u>	<u>78,980,388</u>

The maturity of the non-current borrowings is as follows:

	2017 \$	2016 \$
1 - 2 years	15,593,147	19,541,015
2 - 5 years	19,166,667	19,166,667
Over 5 years	23,333,334	29,722,223
	<u>58,093,148</u>	<u>68,429,905</u>

Borrowings include:

- a) A fixed rate \$50,000,000 Bond 2004 - 2026 with interest payable semi-annually in arrears based on the outstanding principal, computed on a 360 day basis. The bond is secured by a guarantee to the extent of \$50,000,000 from the Government of Barbados.

The effective interest rates applicable to this bond are as follows:

First 2 years	5.75%
Next 5 years	6.25%
Next 5 years	6.75%
Next 5 years	7.00%
Last 5 years	7.25%

The bond initially had a 2 year moratorium on principal payments, then equal semi-annual payments of principal. Interest is payable semi-annually in arrears based on outstanding principal. Repayment of principal on this bond commenced on December 11, 2006.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 7 Borrowings ...continued

#### ii) Barbados National Terminal Company Limited ...continued

- b) Interest on the loan is payable monthly in arrears at minimum saving rate (MSR) plus 3.75% based on the outstanding principal, computed on a 365 day basis. The loan is secured by a guarantee to the extent of \$70,000,000 from the Government of Barbados. The effective rate applicable to this loan at the consolidated statement of financial position date was 6.25% (2016 - 6.25%).

The loan is repayable with equal quarterly principal payments of \$972,222. Repayment of principal commenced on December 24, 2008.

- c) Interest on the loan is payable monthly in arrears at the latest 10 year government paper rate plus 0.75%, which is subject to annual reset, based on the blended principal and interest computed on a 360 day basis. The loan is secured by a first legal debenture over the fixed and floating assets of Barbados National Terminal Company Limited stamped to cover \$30,000,000, with a specific charge over land, buildings and terminal facility at Fairy Valley. The effective rate applicable to this loan at the consolidated statement of financial position date was 7.625% (2016 - 7.625%).

The bond and loans are also secured by the following securities:

- Guarantee from Barbados National Oil Company Limited for \$30.8M.
- Assignment of comprehensive insurance over the assets held as security.
- Assignment of Limit of Indemnity policy, over Fairy Valley for US\$100M.

### 8 Accounts and other receivables

	2017 \$	2016 \$
<b>Current:</b>		
Trade receivables	38,354,467	23,895,821
Loan receivable	2,029,642	2,029,642
Duty prepaid	11,837,637	9,001,955
Other receivable	286,537	256,590
	<u>52,508,283</u>	<u>35,184,008</u>
<b>Non-current:</b>		
VAT receivable	<u>24,566,874</u>	<u>20,895,833</u>
<b>Total accounts and other receivables</b>	<u>77,075,157</u>	<u>56,079,841</u>

Loan receivable represents an advance to the Ministry of Energy and Environment, which is unsecured, interest free and has no stated date of repayment.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 8 Accounts and other receivables ...continued

Trade receivables that are less than 30 days past due are not considered impaired. As of March 31, 2017, trade receivables of \$7,955,762 (2016 - \$6,361,708) were past due but not impaired. The trade receivables relate to customers for whom there is no history of default. The aging analysis of the receivables is as follows:

	2017	2016
	\$	\$
Less than 30 days	30,398,705	17,534,113
30 - 60 days	7,910,170	6,333,682
61 - 90 days	-	-
Over 90 days	45,592	28,026
Total trade receivables	<u>38,354,467</u>	<u>23,895,821</u>

The other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at March 31, 2017 is the fair value of each class of receivable mentioned above, which approximates its carrying values. The Group does not hold any collateral as security.

There was no impairment provision on accounts and other receivables in 2017 or 2016.

### 9 Related party transactions

#### Due by related companies:

	2017	2016
	\$	\$
National Petroleum Corporation (NPC) (i)	16,507,601	10,247,045
Asphalt Processors Inc. (ii)	8,489,954	6,959,600
	<u>24,997,555</u>	<u>17,206,645</u>

i) The amount due by NPC is unsecured, interest-free and is normally payable within 30 days of the invoice date. As at year end \$6,569,911 (2016 - \$6,068,533) was past due but not impaired.

ii) The amount due from Asphalt Processors Inc. arises from sale transactions and is unsecured and bears no interest.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 10 Financial investments

	2017	2016
	\$	\$
<b>Non-current</b>		
<b>Loans and receivables:</b>		
Transport Board - Bond (i)	3,122,726	3,936,419
Barbados Port Inc - Bond (ii)	4,931,396	4,493,986
	<u>8,054,122</u>	<u>8,430,405</u>
Balance - beginning of year	8,430,405	14,151,205
Repayment of debt securities	(813,692)	(455,956)
Interest receivable	437,409	321,822
Disposal of financial assets	-	(5,586,666)
Balance - end of year	<u>8,054,122</u>	<u>8,430,405</u>
<b>Current</b>		
<b>Loans and receivables:</b>		
Government of Barbados Treasury Note (December 20, 2014 - June 20, 2015)	19,840,000	-
	<u>27,894,122</u>	<u>8,430,405</u>

No provision for impairment of financial investments was required in 2017 or 2016.

i) The investment in the Transport Board bonds accrues interest at 6.875% and matures on March 31, 2021.

ii) The investment in the Barbados Port Inc. bonds accrues interest at 7.5% and matures on March 31, 2024.

The fair value of loans and receivables at year end was \$28,325,803 (2016 - \$8,002,730).

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 11 Inventories

	2017 \$	2016 \$
Refined products	25,785,687	13,533,860
Crude oil	6,336,218	4,337,533
Materials	22,702,518	23,622,296
Goods in transit	1,323,273	8,325,209
	<u>56,147,696</u>	49,818,898
Less: non-current portion - tank heels (i)	<u>(1,083,442)</u>	(1,042,608)
	55,064,254	48,776,290
Less: provision for obsolescence on materials	<u>(15,455,487)</u>	(14,797,723)
	<u>39,608,767</u>	33,978,567
	2017 \$	2016 \$
<b>i) Non-current - tank heels</b>		
Balance at beginning of year	1,042,608	1,352,839
Purchase of tank heels during the year	351,065	-
Amortisation (note 22)	<u>(310,231)</u>	(310,231)
Balance at end of year	<u>1,083,442</u>	1,042,608

Non-current inventory represents the cost of petroleum products owned by BNTCL. These are tank heels and can only be sold when tanks are emptied. The balance is being amortised using a straight line basis over a three to five year period when the tanks are expected to be cleaned out and replenished.

### 12 Investment in associated company

	2017 \$	2016 \$
Equity value of investment - beginning of year	663,326	761,368
Share of loss of associated company for the year	<u>(194,659)</u>	(98,042)
Equity value of investment - end of year	<u>468,667</u>	663,326

The Group has a 30.40% interest in the associated company, Asphalt Processors Inc., a company incorporated in Barbados.

## Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 11 Inventories

	2017 \$	2016 \$
Refined products	25,785,687	13,533,860
Crude oil	6,336,218	4,337,533
Materials	22,702,518	23,622,296
Goods in transit	1,323,273	8,325,209
	<u>56,147,696</u>	49,818,898
Less: non-current portion - tank heels (i)	<u>(1,083,442)</u>	(1,042,608)
	55,064,254	48,776,290
Less: provision for obsolescence on materials	<u>(15,455,487)</u>	(14,797,723)
	<u>39,608,767</u>	33,978,567
	2017 \$	2016 \$
<b>i) Non-current - tank heels</b>		
Balance at beginning of year	1,042,608	1,352,839
Purchase of tank heels during the year	351,065	-
Amortisation (note 22)	<u>(310,231)</u>	(310,231)
Balance at end of year	<u>1,083,442</u>	1,042,608

Non-current inventory represents the cost of petroleum products owned by BNTCL. These are tank heels and can only be sold when tanks are emptied. The balance is being amortised using a straight line basis over a three to five year period when the tanks are expected to be cleaned out and replenished.

### 12 Investment in associated company

	2017 \$	2016 \$
Equity value of investment - beginning of year	663,326	761,368
Share of loss of associated company for the year	<u>(194,659)</u>	(98,042)
Equity value of investment - end of year	<u>468,667</u>	663,326

The Group has a 30.40% interest in the associated company, Asphalt Processors Inc., a company incorporated in Barbados.

**Barbados National Oil Company Limited**  
Notes to Consolidated Financial Statements  
March 31, 2017

(expressed in Barbados dollars)

**13 Property, plant and equipment**

	Land, buildings & leasehold improvements	Furniture, fittings and office equipment	Motor vehicles	Well equipment	LPG processing facilities	Seismic cost	Production and operation equipment	Intangible drilling and development costs	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>At March 31, 2015</b>										
Cost	19,429,616	6,265,611	3,717,752	38,906,847	11,307,417	1,102,082	155,931,224	190,894,064	1,350,331	428,904,944
Accumulated depreciation	(5,984,490)	(4,373,638)	(2,805,318)	(31,593,118)	(10,498,286)	(982,026)	(57,507,886)	(127,600,485)	–	(241,345,247)
Net book amount	13,445,126	1,891,973	912,434	7,313,729	809,131	120,056	98,423,338	63,293,579	1,350,331	187,559,697
<b>Year ended March 31, 2016</b>										
Opening net book amount	13,445,126	1,891,973	912,434	7,313,729	809,131	120,056	98,423,338	63,293,579	1,350,331	187,559,697
Additions	904,844	405,931	315,351	–	–	–	4,679,272	12,664,818	1,412,813	20,383,029
Transfers in/(out)	422,815	235,616	–	–	–	–	–	–	(658,431)	–
Increase in provision for abandonment (note 17)	–	–	–	–	–	–	–	3,153,000	–	3,153,000
Disposals - cost	(238,600)	–	(150,053)	–	–	–	–	(33,165)	–	(421,818)
Accumulated dep. on disposals	238,600	–	150,053	–	–	–	–	–	–	388,653
Depreciation and depletion charges	(639,246)	(1,607,205)	(477,224)	(810,674)	(92,171)	(19,125)	(5,855,038)	(4,703,072)	–	(14,203,755)
<b>Closing net book amount</b>	<b>14,133,539</b>	<b>926,315</b>	<b>750,561</b>	<b>6,503,055</b>	<b>716,960</b>	<b>100,931</b>	<b>97,247,572</b>	<b>74,375,160</b>	<b>2,104,713</b>	<b>196,858,806</b>
<b>At March 31, 2016</b>										
Cost	20,518,675	6,907,156	3,883,051	38,906,847	11,307,417	1,102,082	160,610,496	206,678,717	2,104,713	452,019,154
Accumulated depreciation	(6,385,136)	(5,980,841)	(3,132,490)	(32,403,792)	(10,590,457)	(1,001,151)	(63,362,924)	(132,303,557)	–	(255,160,348)
Net book amount	14,133,539	926,315	750,561	6,503,055	716,960	100,931	97,247,572	74,375,160	2,104,713	196,858,806

**Barbados National Oil Company Limited**  
Notes to Consolidated Financial Statements  
March 31, 2017

(expressed in Barbados dollars)

**13 Property, plant and equipment ...continued**

	Land, buildings & leasehold improvements	Furniture, fittings and office equipment	Motor vehicles	Well equipment	LPG processing facilities	Seismic cost	Production and operation equipment	Intangible drilling and development costs	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Year ended March 31, 2017</b>										
Opening net book amount	14,133,539	926,315	750,561	6,503,055	716,960	100,931	97,247,572	74,375,160	2,104,713	196,858,806
Additions	144,624	219,517	103,586	1,195	–	–	1,226,712	7,181,598	1,564,464	10,441,696
Transfers	902,016	–	–	–	–	–	–	–	(902,016)	–
Transfers in	102,372	–	–	–	–	–	163,994	–	–	266,366
Increase in provision for abandonment (note 17)	–	–	–	–	–	–	–	3,468,300	–	3,468,300
Disposals - cost	–	–	(82,609)	–	–	–	–	(404)	–	(83,013)
Accumulated dep. on disposals	–	–	82,609	–	–	–	–	–	–	82,609
Depreciation and depletion charges	(715,614)	(316,494)	(366,460)	(810,808)	(92,171)	(19,125)	(6,019,830)	(3,187,823)	–	(11,528,325)
<b>Closing net book amount</b>	<b>14,566,937</b>	<b>829,338</b>	<b>487,687</b>	<b>5,693,442</b>	<b>624,789</b>	<b>81,806</b>	<b>92,618,448</b>	<b>81,836,831</b>	<b>2,767,161</b>	<b>199,506,439</b>
<b>At March 31, 2017</b>										
Cost	21,667,687	7,126,673	3,904,028	38,908,042	11,307,417	1,102,082	162,001,202	217,328,211	2,767,161	466,112,503
Accumulated depreciation	(7,100,750)	(6,297,335)	(3,416,341)	(33,214,600)	(10,682,628)	(1,020,276)	(69,382,754)	(135,491,380)	–	(266,606,064)
Net book amount	14,566,937	829,338	487,687	5,693,442	624,789	81,806	92,618,448	81,836,831	2,767,161	199,506,439



## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 14 Deposit on plant and equipment

At March 31, 2017, the Group paid \$1,520,000 (2016 - \$Nil) toward the purchase of land at Fairy Valley, Christ Church and made deposits totalling \$149,069 (2016- \$877,449) on plant and equipment. A further \$13,680,000 (2016 - \$Nil) is due in relation to the land at Fairy Valley, Christ Church and \$Nil (2016 - \$12,193) is due in relation to the plant and equipment.

### 15 Accounts payable and accrued liabilities

	2017 \$	2016 \$
<b>Non-current</b>		
Duty payable (i)	<u>45,303,620</u>	38,785,183
<b>Current</b>		
Accounts payable	17,130,579	27,347,985
VAT payable	1,114,912	1,896,875
Accrued expenses	9,167,357	8,710,281
QEH payable	1,812,689	10,274,584
Fuel rebate payable	906,344	863,833
Other payables	545,530	137,112
Duty payable	33,040,000	16,520,200
Dividend payable (note 31 ii)	<u>53,000,000</u>	53,000,000
	<u>116,717,411</u>	118,750,870
	<u>162,021,031</u>	157,536,053

(i) On October 31, 2016 the Ministry of Finance and Economic Affairs informed the Group that duty in the amount of \$82.601M was payable to the Accountant General on behalf of the Comptroller of Customs. The accumulated balance is payable over a three and a half year period with five (5) semi-annual instalments commencing on November 1, 2016.

### 16 Due to Government of Barbados

The Group received a loan of \$10,200,000 from the Government of Barbados to facilitate the remediation of the Needham's Point site at Gravesend, St. Michael. The loan is interest free and repayable on demand.

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 17 Provision for abandonment

	2017 \$	2016 \$
Balance at beginning of year	34,682,997	31,529,997
Increase in provision for the year	<u>3,468,300</u>	3,153,000
<b>Balance at end of year</b>	<u>38,151,297</u>	34,682,997

The Group has made a provision for costs estimated at \$166,375 (2016 - \$151,250) per well which has been determined to be required to return the surface location of existing wells (including those on which joint operations were done) to their original condition. The cost of abandonment is included in intangible drilling and development costs under property, plant and equipment and is amortised to the consolidated statement of comprehensive income in line with the Group's depletion charge for the year. During the year, the Group increased the provision due to the increased cost estimated to abandon a well. If management's estimate were to change by 10% the provision would increase or decrease by \$3,815,130.

### 18 Employee benefits

The Group operates defined benefit pension plans for their employees under segregated fund policies with Sagicor Life Inc. The plans are valued triennially by independent actuaries.

In respect of the defined benefit plans operated by the Group, the amounts recognised in the consolidated statement of financial position are as follows:

	2017 \$	2016 \$
Fair value of plan assets	17,858,920	15,031,298
Present value of funded obligations	<u>(20,258,919)</u>	(15,668,852)
Net liability in the consolidated statement of financial position	<u>(2,399,999)</u>	(637,554)

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 18 Employee benefits ...continued

The movement in the present value of funded obligations is as follows:

	2017	2016
	\$	\$
Present value of funded obligations - beginning of year	15,668,854	14,591,201
Interest cost	1,268,499	1,184,537
Current service cost (including voluntary contributions)	1,037,658	964,149
Benefits paid	(208,904)	(193,185)
Actuarial gain on obligation	2,492,812	(877,850)
	<u>20,258,919</u>	<u>15,668,852</u>

The movement in the fair value of plan assets is as follows:

	2017	2016
	\$	\$
Fair value of plan assets - beginning of year	15,031,298	13,654,502
Actual return on plan assets	902,012	174,667
Contributions - employer	1,689,608	1,152,658
Contributions - employee	444,906	242,656
Benefits paid	(208,904)	(193,185)
	<u>17,858,920</u>	<u>15,031,298</u>

Movements in the net liability recognised in the consolidated statement of financial position are as follows:

	2017	2016
	\$	\$
Net liability at beginning of year	(637,554)	(936,699)
Net expense recognised in the statement of comprehensive income	(621,709)	(801,225)
Contributions paid	1,689,606	1,152,658
Remeasurements included in the statement of other comprehensive income	(2,830,342)	(52,288)
	<u>(2,399,999)</u>	<u>(637,554)</u>

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 18 Employee benefits ...continued

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2017	2016
	\$	\$
Current service cost	592,753	721,494
Interest on obligation	1,268,499	1,184,537
Expected return on plan assets	(1,239,543)	(1,104,806)
	<u>621,709</u>	<u>801,225</u>

The amounts recognised in other comprehensive income are as follows:

	2017	2016
	\$	\$
Actuarial gain on obligation	(2,492,811)	877,850
Actual return on plan assets	902,012	174,667
Expected return on plan assets	(1,239,543)	(1,104,806)
	<u>(2,830,342)</u>	<u>(52,289)</u>

	2017	2016
	\$	\$
Actual return on plan assets	<u>902,012</u>	<u>174,667</u>

Plan assets are comprised as follows:

	2017	2016
Mortgages	16%	16%
Bonds	49%	49%
Equities	18%	18%
Real estate	3%	3%
Current assets and liabilities	14%	14%
	<u>100%</u>	<u>100%</u>

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 18 Employee benefits ...continued

Expected contributions for the year ending March 31, 2018 are \$1,200,182. The next full triennial valuation is due on April 1, 2019. Interim valuations are performed at each year end.

The Group's defined pension plan is under segregated fund policies with Sagicor Life Inc. Assets are matched to the pension obligations by investing in long term securities with maturities that match the benefits payments as they fall due and in the currency of benefit payments. Whether the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligation is monitored actively. The Group has not changed the processes used to manage its risk from previous years. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Principal actuarial assumptions at the consolidated statement of financial position date are as follows:

	2017	2016
Discount rate at end of year	7.75%	7.75%
Expected return on plan assets at end of year	7.75%	7.75%
Future promotional salary increases	2.50%	2.50%
Future pension increases	0.75%	0.75%
Proportion of employees opting for early retirement	0.00%	0.00%
Future inflationary salary increases	4.25%	4.25%
Future changes in NIS Ceiling	4.25%	4.25%
Mortality	GAM 94	GAM 94

Through its defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

#### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Barbados bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.

The trustees invest the funds for the defined benefits section of the plan primarily via two pooled segregated funds and amend their asset allocation benchmark as necessary to meet the objectives. The government bonds in the funds represent primarily investments in Government of Barbados securities. There are limited investments in corporate bonds.

However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plan efficiently.

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 18 Employee benefits ...continued

#### Changes in bond yields

A decrease in Government of Barbados bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	17,395,590	23,914,121
Salary growth rate	0.5%	22,371,594	19,214,842
Life expectancy	1 year	20,508,351	—

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the year) has been applied as when calculating the pension plan liability recognised within the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 19 Taxation

Under the Petroleum Winning Operations Taxation Act, Cap. 82, the Group is not subject to taxation on exploration revenue until its level of regular exports of petroleum average 10,000 barrels a day, measured over a period of 30 consecutive days, or until the expiration of a period of five years from the date on which petroleum was first regularly exported by the parent company, whichever is earlier. The Group did not meet these criteria during the year.

The corporation tax charge for the year is comprised as follows:

	2017 \$	2016 \$
Current tax	14,553	14,380
Deferred tax release	<u>(10,521)</u>	<u>(1,714,932)</u>
	<b>4,032</b>	<b>(1,700,552)</b>

The tax on the Group's loss before taxation, differs from the theoretical amount that would arise using the statutory taxation rate of Barbados as follows:

	2017 \$	2016 \$
Loss before taxation	<u>(4,301,905)</u>	<u>(11,560,378)</u>
Tax calculated at statutory rate of 25% (2016 - 25%)	<b>(1,075,476)</b>	<b>(2,890,095)</b>
Tax effects of the following:		
Expenses not deductible for tax purposes	2,466,426	4,186,702
Movement in deferred tax asset not recognised	<b>(1,978,270)</b>	<b>(2,714,282)</b>
Prior year (over)/under provision - current and deferred tax	<b>(4,297)</b>	802
Losses not subject to tax	48,665	24,510
Commercial building allowance	<b>(12,500)</b>	<b>(12,500)</b>
Investment allowance	<b>(154,261)</b>	<b>(295,689)</b>
Tax losses expiring unutilised	<b>713,745</b>	-
	<b>4,032</b>	<b>(1,700,552)</b>

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 19 Taxation ...continued

The unrecognised deferred tax asset consists of the following components:

	2017 \$	2016 \$
Decelerated/(accelerated) tax depreciation	2,473,022	(2,767,554)
Unutilised tax losses (note 23)	47,332,321	59,418,077
Inventory provision	342,306	342,306
Pension liability (note 18)	<u>2,399,999</u>	<u>637,554</u>
	<b>52,547,648</b>	<b>57,630,383</b>
Deferred tax asset at 25% (2016 - 25%)	<u><b>13,136,912</b></u>	<u>14,407,596</u>

The deferred tax asset has not been recognised due to the uncertainty of recoverability in future periods and relates to Barbados National Oil Company Limited, Barbados National Oilfield Services Limited and Barbados National Terminal Company Limited.

The deferred tax asset recognised comprises as follows:

	2017 \$	2016 \$
Accelerated depreciation	3,577	3,577
Unpaid interest	<u>362,195</u>	<u>320,109</u>
	<b>365,772</b>	<b>323,686</b>
Deferred tax asset at 25% (2016 - 25%)	<u><b>91,443</b></u>	<u>80,922</u>

The deferred tax asset relates solely to Barbados National Oil Holding Company Limited and has been recognised due to the reasonable expectation of recoverability in future periods.

The above temporary differences have no expiry date, except for unutilised tax losses, the expiry dates of which are disclosed in Note 23.

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 20 Share capital

Authorised

The Group is authorised to issue an unlimited number of shares of no par value

Issued

	2017	2016
	\$	\$
82,030 common shares	<u>41,014,809</u>	41,014,809

The shares are allotted as follows:

	2017	2016
	Number	Number
Government of Barbados - common shares	61,913	61,913
National Petroleum Corporation - common shares	<u>20,117</u>	20,117
	<u>82,030</u>	82,030

### 21 Upstream revenue

Upstream revenue represents sales attributable to natural gas and crude oil as follows:

	2017	2016
	\$	\$
Natural gas - National Petroleum Corporation (a related party)	8,427,972	3,749,813
Crude oil - Petrotrin Company of Trinidad and Tobago Limited	<u>29,442,650</u>	12,540,587
	<u>37,870,622</u>	16,290,400

During 2016 the Group's refining arrangement with Petrotrin Company of Trinidad and Tobago Limited expired and continued as direct sales of crude oil rather than a refining arrangement.

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 22 Other income

	2017	2016
	\$	\$
Lease of property (note 27)	(488,000)	(488,000)
Interest income	1,029,371	1,089,281
Gain on disposal of property, plant and equipment	34,628	54,553
Other income	282,090	151,691
Amortisation of tank heels (note 11)	(310,231)	(310,231)
Other expenses - repair of pipeline at Oistins	-	4,967
	<u>547,858</u>	502,261

### 23 Tax losses

Accumulated tax losses which are available for set off against future taxable income for corporation tax purposes are as follows:

Year	Losses b/fwd. \$	Adjustment \$	Utilised \$	Incurred \$	Expired \$	Losses c/fwd. \$	Expiry date
2008	12,575,469	-	(9,720,488)	-	(2,854,981)	-	
2009	33,119,914	-	(6,888,038)	-	-	26,231,876	2018
2015	2,058,222	-	-	-	-	2,058,222	2022
2016	11,664,472	(1,424)	-	-	-	11,663,048	2023
2017	-	-	-	7,379,175	-	7,379,175	2024
	<u>59,418,077</u>	<u>(1,424)</u>	<u>(16,608,526)</u>	<u>7,379,175</u>	<u>(2,854,981)</u>	<u>47,332,321</u>	

The tax losses are as computed by the Group's companies in their corporation tax returns.

### 24 Expenses by nature

	2017	2016
	\$	\$
Petroleum products	316,389,358	338,565,000
Staff costs (note 25)	17,507,995	14,384,874
Consulting and professional fees	1,951,723	1,383,093
Repairs and maintenance	2,064,142	3,839,028
Insurance	1,460,938	2,004,160
Utilities	642,463	625,376
Bad debts	-	2,219,345
Other	5,333,957	4,702,773
	<u>345,350,576</u>	367,723,649

Total cost of goods sold, terminal operating costs and general and administrative expenses

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements  
March 31, 2017

(expressed in Barbados dollars)

### 25 Staff costs

Staff costs funded by the Group were as follows:

	2017 \$	2016 \$
Wages, salaries and bonus	14,453,552	11,086,003
Allowances	552,605	571,023
National insurance	799,274	791,082
Pension expense	621,709	801,225
Medical and other costs	1,080,855	1,135,541
	<u>17,507,995</u>	<u>14,384,874</u>
Number of persons employed by the Group at year end	<u>161</u>	<u>164</u>

### 26 Key management compensation

Key management compensation comprises senior management of the Group. Compensation to these individuals was as follows:

	2017 \$	2016 \$
Salaries and other short-term benefits	<u>1,990,512</u>	<u>1,727,134</u>

### 27 Commitments

#### a) Operating lease commitments

In March 2005, Cabinet agreed to lease land situated at Coverley, Christ Church, Barbados, to the Group for the purpose of developing the new storage and terminal facility. The lease agreement is for a period of 50 years with an option to renew for a further 25 years at an annual rent of \$488,000 per annum. The rent is to be reviewed every 5 years.

The movement in the lease for land is as follows:

	2017 \$	2016 \$
Balance - beginning of year	569,333	81,333
Annual rent	488,000	488,000
Payment	<u>(976,000)</u>	<u>—</u>
Balance - end of year	<u>81,333</u>	<u>569,333</u>

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements  
March 31, 2017

(expressed in Barbados dollars)

### 27 Commitments ...continued

#### b) Facilities leasing costs

In March 2006, ESSO Standard Oil S.A. Limited ("ESSO") and the Group negotiated an agreement whereby ESSO will provide storage and handling services to the Group for an initial period of at least 10 years. The services include the receiving, storage, handling and delivery of petroleum products in and out of ESSO's Holborn Terminal located at Fontabelle, St. Michael at a standard fee rate of US\$1.30 for each barrel of product delivered out of the terminal.

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

	2017 \$	2016 \$
No later than one year	488,000	488,000
Later than 1 year and no later than 5 years	2,440,000	2,440,000
Later than 5 years	<u>15,616,000</u>	<u>16,104,000</u>
	<u>18,544,000</u>	<u>19,032,000</u>

### 28 Contingent asset

In September 2005, there was an accident involving BNTCL's pipelines at Oistins and its shipper. Currently, BNTCL is legally pursuing its claims against the shipper amounting to \$1.2 million plus interest and incidental costs. The Group has not recognised this amount as an asset in the consolidated financial statements due to the uncertainty of its outcome.

### 29 Contingent liabilities

Bank guarantees have been entered into by the Group to provide security on the Barbados National Terminal Company Limited's bank borrowings. The liabilities attached to these guarantees at March 31, 2017 amount to \$30,800,000 (2016 - \$30,800,000).

## Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2017

(expressed in Barbados dollars)

### 30 Other events

On October 30, 2014, the Cabinet of the Government of Barbados agreed to the merger of BNOCL and National Petroleum Corporation. On January 28, 2015, the Board at its meeting approved the merger, which was expected to be undertaken on a phased basis with the first phase concentrating on the merger of the administrative and back office services.

On January 11, 2018, the Cabinet subsequently agreed inter alia:

- i) that the National Petroleum Corporation Act, Cap 280 be repealed;
- ii) that the assets and liabilities and rights and obligations of the National Petroleum Corporation be vested in the new Barbados National Petroleum Products Limited;
- iii) that a holding company titled the Barbados National Energy Corporation be established and that the assets of four entities including those of the Barbados National Petroleum Products Limited be vested in this company.

Following the change of Government in May 2018, the Company is awaiting communication as to the direction now to be taken.


### 31 Subsequent events

- i) On September 18, 2014, the Cabinet of the Government of Barbados agreed to the divestment of the company. The Board of Directors of the parent company approved this decision at its meeting of December 19, 2014. On November 28, 2017 the Fair Trading Commission in its final report on the proposed acquisition rejected the transaction. The sale agreement between Barbados National Oil Company Limited and BNTCL Holdings Limited subsequently expired as at July 3, 2018.
- ii) At a Board of Directors' meeting of the Company on November 12, 2018 it was resolved to withdraw the dividend of \$53M declared on March 20, 2015 to be paid to stockholders on record upon the divestment of Barbados National Terminal Company Limited. The dividend payable included in accounts payable and accrued liabilities was reversed in the Company's financial statements during the financial year ended March 31, 2019.
- iii) Subsequent to the year end, the Government of Barbados amended the corporation tax rate from 25% to 30% which will take effect for income year 2018.

Additionally, the Government of Barbados announced all corporation tax rates will move to a sliding scale of 5.5% to 1% effective January 1, 2019.

- iv) As at January 31, 2019, the Ministry of Finance, Economic Affairs and Investment instructed state owned enterprises and other public bodies to write off intragovernmental debt (including tax refunds and budgetary transfers which have not been made) incurred prior to September 1, 2018 effective December 31, 2018.



 **Barbados National Oil Co. Limited,  
Woodbourne, St Philip**

 **(246) 418-5200**