



ANNUAL REPORT

2019

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& AUDITED STATEMENTS

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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
Charles Russell Speechlys

Corporate Secretary

Mr. Ashley Bignall

Auditor

PricewaterhouseCoopers SRL

Banker

Republic Bank (Barbados) Limited

Board of Directors - BNOCL (Until May 25, 2018)

Dr Leonard Nurse, Chairman

Mr. Ronald Hewitt, Deputy Chairman

Mr. Leslie Barker

Mrs. Ethnie Bellamy-Weekes

Mr. Everton Lashley

Mr. G Hayden Workman

Mr. Jehu Wiltshire

Mr. Noel Greenidge – Chairman, Representative of the National Petroleum Corporation

Board of Directors – BNOCL (from September 3, 2018)

Mr. William McDonald – Chairman

Ms. Lachmi Connell – Deputy Chairman, Representative of the National Petroleum Corporation

Mr. David Straughn

Mr. Jehu Wiltshire

Ms. Alexandra Daniel

Mrs. Andria Shepherd-Payne

Mrs. Stephanie Catling-Birmingham

Mrs. Ethnie Bellamy-Weekes

Mr. Lorenzo Harewood (ceased February 8, 2019)



Board of Directors – BNTCL

Board of Directors – BNTCL (until May 25, 2018)

Dr Leonard Nurse, Chairman

Mr. Leslie Barker

Mr. G Hayden Workman

Mr. Jehu Wiltshire

Mr. David Waithe

Board of Directors – BNTCL (commenced September 3, 2018)

Mr. William McDonald – Chairman

Mr. Herbert Yearwood – Deputy Chairman

Mr. Jehu Wiltshire

Ms. Alexandra Daniel

Mrs. Andria Shepherd-Payne

Mrs. Ethnie Bellamy-Weekes
 Ms Lasandra Bobb
 Ms. Jamila Burgess
 Ms. Gillian Morris
 Mr. David Staples

Senior Management

Mr. Winton Gibbs – General Manager (retired August 31, 2018)
 Mr. James Browne – Chief Operations Officer from January 2, 2018
 General Manager (Ag) (from September 2, 2018)
 Mr. Ashley Bignall – Chief Financial Officer
 Mrs. Joan Hinds-Holder – Finance Manager
 Mr. Ronnie Gittens – Group Human Resources Manager
 Mr. Terrance Straughn – Terminal Superintendent
 Mr. Wesley Carter – Trading and Marketing Manager
 Mr. Pedro Bushelle – Group Information Technology Manager
 Mrs. Carolyn Forde-Bryan – Internal Auditor
 Mr. Damien Catlyn – Group Health, Safety, Security and Environmental Officer

BNTCL

Board of Directors



Mr. William Alex McDonald
(Chairman- BNOCL/BNTCL)



Ms. Lachmi Connell
Deputy Chairman - BNOCL
Representative of NPC



Ms. Alexandra Daniel
BNOCL/BNTCL



Mrs. Andria Shepherd-Payne
BNOCL/BNTCL



Mr. David Staples
BNTCL



Mr. David Straughn
BNOCL



Ms. Gillian Morris
BNTCL

Board of Directors



Mr. Herbert Yearwood
BNTCL



Ms. Jamila Burgess
BNTCL



Mrs. Kim Burton
BNTCL



Ms. Lana Trotman
BNTCL



Ms. Lasandra Bobb
BNTCL



Mrs. Stephanie Catling-Birmingham
BNOCL



Mr. Jehu Wiltshire
BNOCL/BNTCL



Mrs. Ethnie Bellamy-Weekes
BNOCL/BNTCL

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.

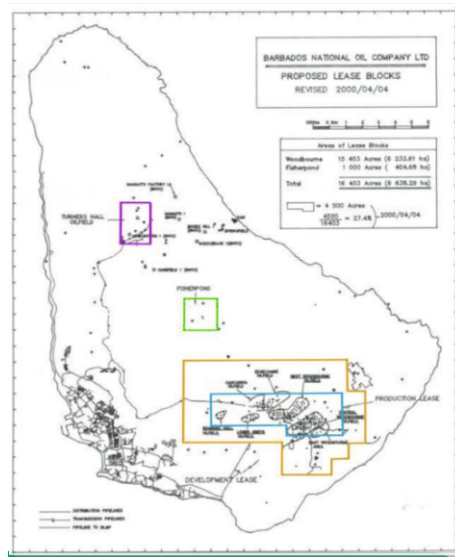


Figure 1: Map of Barbados showing the four locations making up the Mineral Lease.

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 Petrotrin, Trinidad where it was sold until September 2018. Previously, the crude was refined by Petrotrin at Point-a-Pierre Refinery under a Processing Agreement. This Processing Agreement was mutually discontinued at

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 Company Limited (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. The Terminal, 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

BNOCL edged closer towards its goal of being transformed into a full-fledged energy company offering options of fossil fuel, as well as renewable energy alternatives to Barbadians while simultaneously facilitating Government's mandate for a 100% green economy by 2030. This strategy would enable it to ensure the long-term sustainability of the Company's operations.

Thus, with assistance from the Inter-American Development Bank, the Company forged ahead with its solar projects and prepared to explore the feasibility of establishing windfarms at various locations across Barbados. The issue of battery storage was also high on BNOCL's agenda, as it sought to assist the efforts of those governmental entities which supply critical services to Barbadians, by reducing their reliance on the national grid.

Another major area of significance was the status of the sale of BNTCL which was finally settled when our parent ministry, the Ministry of Energy and Water Resources (MEWR) advised that the new, incoming administration was disinterested in divesting that company. Therefore, BNTCL prepared to execute several medium and long-term initiatives which had been on hold for some years.

From the financial perspective, while the Group's gross revenue increased during this period, its profit decreased by as much as 69%, when compared to the 2017-18 financial year. In addition, operational costs and general administration expenses also increased in this financial year.

Offshore Activities

The BNOCL/ Netherland Sewell and Associates Inc (NSAI)/MEWR Seismic Interpretation Project kicked-off in June 2018. The Project aims to assess the offshore hydrocarbon potential, specifically to:

- Create comprehensive, multiplatform workstation projects as a foundation for regional and lead-level seismic interpretations.
- Identify and regionally map key basins and exploration play fairways offshore Barbados.
- Perform 1-D and 2-D basin modeling.
- Identify and map leads and identify play concept areas and build a lead inventory.
- Conduct probabilistic volumetric assessments.
- Conduct prospect risk assessment by evaluating source, reservoir trap integrity and timing/migration risk.
- Prepare a comprehensive final report outlining methodology and results.

By the end of the year the inception and interim reports were generated and submitted to the BNOCL's management and MEWR.

In September, BHP Billiton provided BNOCL with its raw data results from their Geochemical study conducted on oils from the Woodbourne field and onshore Barbados.

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

Human Resources Overview

During the year, BNOCL continued along its strategic path to become a diversified energy Company and the Human Resources Department ensured that it played its role in supporting these strategic goals. Efforts were made to ensure that there was a level of professional training as the company continued to strengthen its human resource capital and prepare to further develop the renewable energy arm of the business.

The initiative to amalgamate with the National Petroleum Corporation was also high on the department's agenda during the year and there were several joint meetings and employee engagement events between the two entities.

Corporate Social Responsibility

The department rolled out several activities under its Corporate Social Responsibility mandate as the Group pursued its community outreach programme. The Group responded positively to the request to donate much needed bathroom fittings and security lighting for the Belmont Primary School in January 2019. The Company also maintained support of its adopted school, Gordon Walters Primary by hosting their Annual School Sports Day on the BNOCL playing field in February 2019, while the school's grounds were under repair.

During the season of giving, BNOCL contributed to the St. John Fire Station's food drive under the theme, '**Reaching Out to the Community, Christmas Food Drive Campaign 2018**'. This was done in collaboration with our staff who responded overwhelmingly to this drive and donated generously towards the cause, making it a joyous Christmas 2018 for many Barbadians in need.

Staff Appointment and Changes

Retirements

During the 2018-2019 financial year, two of BNOCL's long-standing employees retired. On June 29, 2018, we bade farewell to Mr. Vincent Phillips, who gave 20 years of service to the Warehouse department and retired from the post of Purchasing & Inventory Controller. After 8 years in the position of General Manager, Mr. Winton Gibbs retired on August 31, 2018. Mr. Gibbs joined the Company in the position of Finance Manager in 1998.

Appointments

The vacancy at the helm of the Company was filled when Mr. James Browne was promoted to the post of Chief Executive Officer in February 2019. Mr. Browne previously held the position of Chief Operations Officer from January 2, 2018. Mr. Andre Clarke joined the Workover department as Assistant Workover Foreman on December 3, 2018 following the retirement of Mr. Anthony Sealy in 2017.

We also welcomed a number of persons to the BNOCL team from the National Petroleum Corporation. In November 2018, Ms Karen Pilgrim joined the Warehouse department as Inventory Controller. In February 2019, Ms. Nicole Brathwaite joined the Finance department in the post of Accountant at BNTCL and Mr. Michael Layne joined BNOCL as System Administrator-Programmer in the Information Systems Department.

As at March 31, 2019, the BNOCL Group employed 136 employees. This number was represented by BNOCL - 17, BNOSL - 82 permanent and 10 temporary and BNTCL - 27.

NEW EMPLOYEES



Ms Karen Pilgrim
Inventory Controller



Ms Nicole Brathwaite
Accountant BNTCL



Mr. Michael Layne
Systems Administrator/ Programmer



Mr. Andre Clarke
Assistant Workover Foreman



Mr. Winton Gibbs
General Manager



Mr. Vincent Phillips
Purchasing & Inventory Controller

RETIREEES

Technical Operations Overview

Crude Oil Production and Sales

Crude oil production decreased by 7% from 228,841 barrels to 212,708 barrels in the financial year 2018-19 when compared to the previous year. The percentage change is considered moderate and indicates that the field depletion needs to be addressed. In the first instance, a more aggressive work programme would have to be contemplated, but ultimately the addition of crude oil reserves, whether new or old, will be necessary to arrest the field decline. **See Chart 1.**

Crude oil sold in the financial year of 212,928 barrels was 8% lower than the volume in the previous financial year of 231,802 barrels. This trend somewhat mirrored the decline experienced in the oil production.

Natural Gas Production and Sales

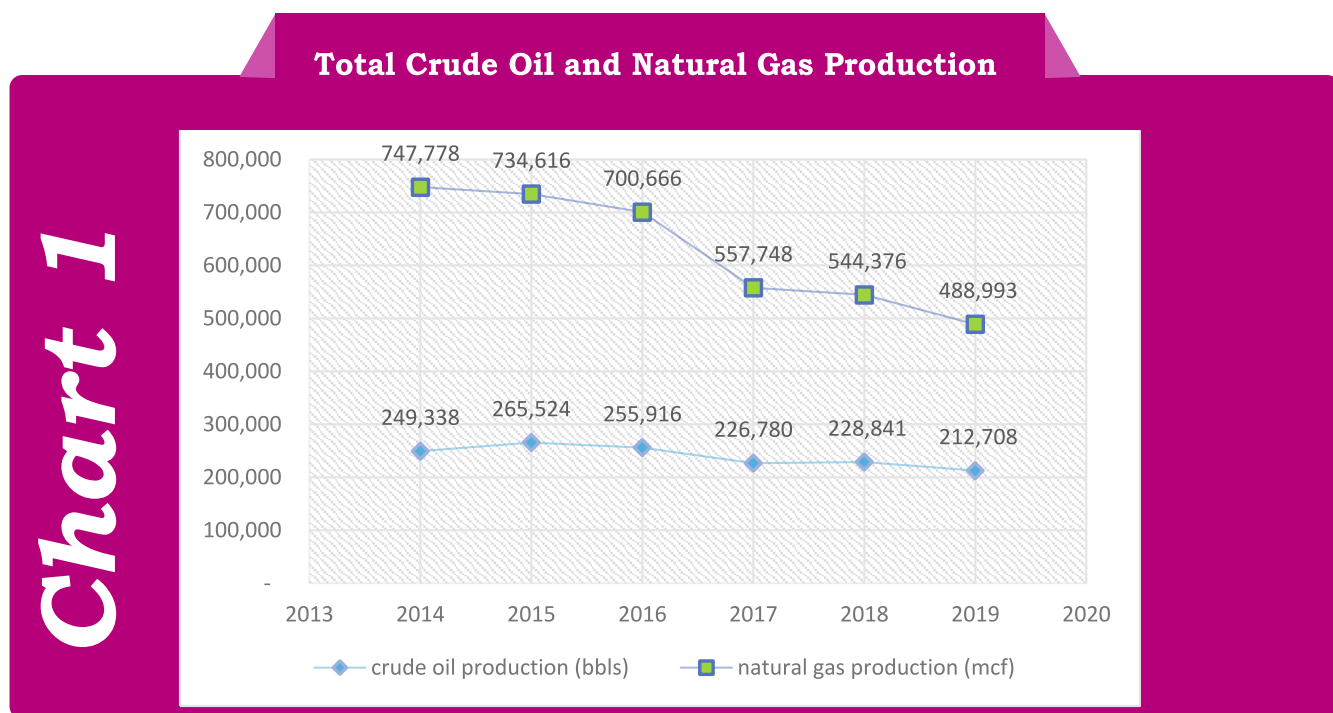
In the 2018-19 financial year, natural gas production was 488,993 mcf compared to 544,376 mcf in 2017-18; a decline of 10%.

In contrast, natural gas sales increased by 3% from 558,351 mcf in the previous year to 573,956 mcf in the current year. This percentage increase signified the growth in sales by the National Petroleum Corporation (NPC), as per their mandate. In the same financial year, Field gas sales increased by 10% from 311,763 mcf in the previous year to 343,326 mcf in the current year.

Similarly, during this financial year, LNG sales also decreased by 6% from 246,588 mcf in fiscal year 2017-18 to 230,630 mcf in the current year. A modest shift in the sales profile occurred during the year where Field gas contributed more significantly to sales in the current year than was the case in 2018. Field gas

contribution increased from 56% to 60%, while the LNG contribution decreased marginally from 44% to 40%.

The cost of production of field gas is significantly less than the purchase price of LNG which is a great benefit to the country. Additionally, the increase in Field gas volumes resulted from greater production of non-associated gas from BNOCL's swing gas producers.

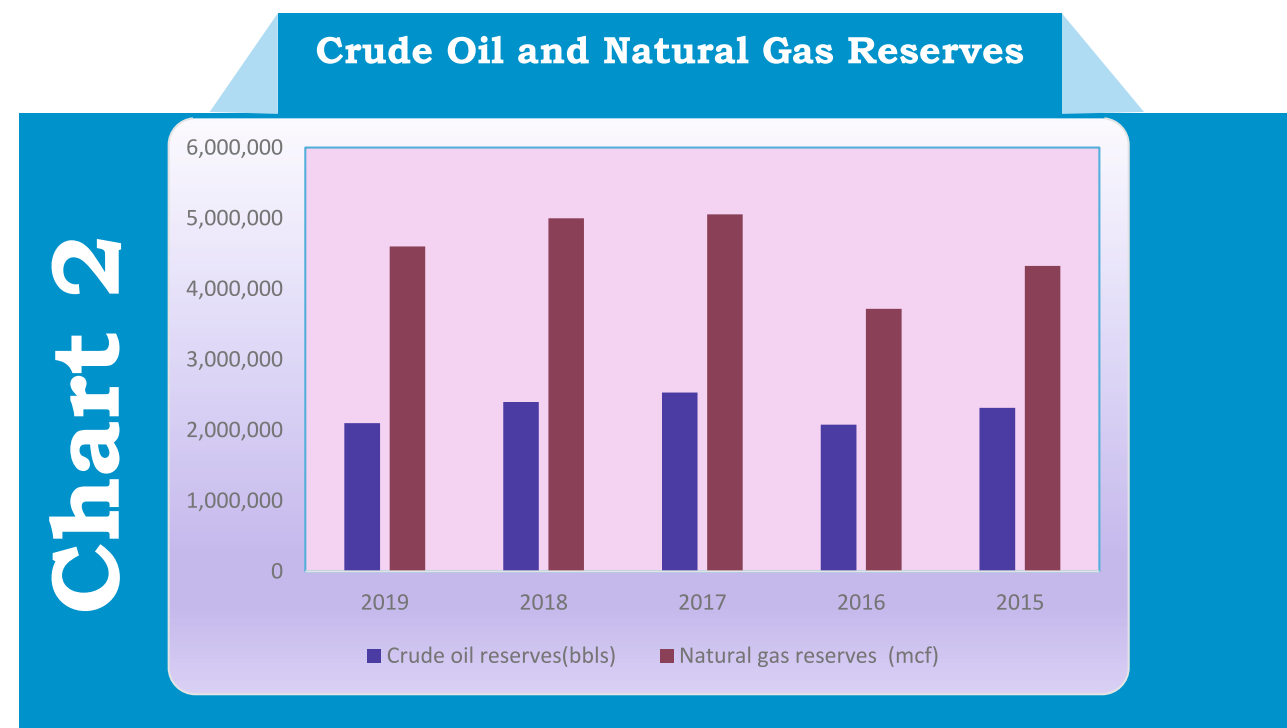


Crude Oil and Natural Gas Reserves

At March 31, 2019, crude oil reserves were assessed at approximately 2.1 million (mm) barrels and natural gas reserves at 4.6 billion cubic feet (bcf). Both streams were assessed at lower levels than the previous financial year when the oil and gas volumes were 2.4mm barrels and 5.0bcf, respectively. The lower assessment of oil and gas reserves with percentage differences of 10% and 7% respectively, is expected in a non-drilling year with a modest work programme. The reserves will

continue to decrease without reserves addition by drilling or enhanced oil recovery.

See Chart 2.



Workovers

During the course of the year, a total of fifty-two (52) workovers were performed as in the specified categories highlighted in the below table.

Nature of Workover	Number of Jobs
Recompletions	8
Additional perforations	2
Gravel packs	6
Plug and Abandonment	3
Routine Workovers	33
TOTAL	52

The majority of this work was undertaken in the Woodbourne, Lower Greys, Hampton and Boarded Hall areas. The routine workovers were performed to address paraffin and sand deposition as well as pump changes.

Gravel pack and cementing services for the abandonments were provided by our overseas contractor, Baker Hughes.

Renewable Energy Overview

During the year, preparatory work was undertaken to facilitate the commencement of the 4.1MW photovoltaic installations, as well as the collection of investment grade national wind speed data. The department conducted a number of training sessions and site visits for batteries, energy storage technologies and wind farms. The associated data accumulated will allow BNOCL to prepare an analysis of the information and provide advice on these matters in the future.

Work continued in assessing biogas substrate options with the ultimate scope for a pilot project for a 250kW project being outlined. Key areas to be resolved include delivery and/or collection logistics, biochemical methane production (BMP) methods, scrubbing and specification details for efficient electricity generation. The pilot is anticipated to commence in the third quarter 2020.

As is customary, the department continued its work with various stakeholders; the Ministry of Energy and Water Resources, the University of the West Indies and the Barbados Chamber of Commerce as members represented BNOCL on various committees, facilitated site tours and shared information with the general public.

Marketing Overview

During the year, BNOCL was compelled to source new suppliers for its refined products and a purchaser of its crude oil, as its main business associate Petrotrin Refinery in Trinidad and Tobago ceased operations. After a rigorous tender and evaluation process within the international market, BNOCL secured contracts for gasoline and diesel respectively, from Trafigura PTE Limited and West Indies Petroleum (WIP). PetroJam in Jamaica was selected as the purchaser for BNOCL's indigenous crude oil.

BNOCL was awarded another three-year contract with the Barbados Light & Power Co Ltd for the annual supply of 1.4 million barrels of Heavy Fuel Oil.

Importation of Liquefied Natural Gas (LNG)

During the financial year, BNOCL imported 2,696,044 gallons (or 222,814 MMBtu) of Liquefied Natural Gas (LNG) to supplement domestic commercial and residential demand. This represented a 10% reduction from the previous year which resulted from increased production of indigenous natural gas. Of that total, some 1,979,540 gallons were sourced from the USA based company, New Fortress Energy. The remaining 716,504 gallons of LNG (approximately 59,215 MMBtu of gas) were imported from the Dominican Republic. The LNG was imported in cryogenic ISO containers and re-gassed at the Woodbourne facilities.

Gasoline

There was a 2% increase in imported gasoline during the period, from 742,668 barrels in 2018 to 760,862 barrels. Throughout the year, gasoline ranged in price from BDS\$150 to BDS\$205 per barrel. However, the average purchase price of this product was BDS\$185 per barrel.

At March 31, 2019, the retail price of gasoline was BDS\$3.57 per litre. Of that price, 24.9% represented the cost of the product, 42% represented Government taxes, the

marketers' margin accounted for 14.7% and the Company's storage fee and margin accounted for 6.4%.

Ultra-Low Sulphur Diesel (ULSD)

428,742 barrels of ULSD were imported at an average price of BDS\$196 per barrel, during this period. When compared with the amount of 532,987 imported in 2018; this represented a 24% decline. ULSD's purchase price fluctuated between a minimum of BDS\$164 to a maximum of BDS\$213 per barrel.

At March 31, 2019, the retail price of ULSD was BDS\$3.09 per litre. Of that price, 36.8% represented the cost of the product, 42.0% represented Government taxes, the marketers' margin accounted for 14.7% and the Company's storage fee and margin accounted for 6.5%.

Heavy Fuel Oil (HFO)

During the financial period under review, BNOCL imported 1,377,043 barrels of HFO, or 167,207 barrels (**14%**) more than the previous year, when 1,209,836 barrels were imported. Of the total imported during the current year, 58,047 barrels were supplied from Vitol, located in St. Eustatius. The remaining 1,318,996 barrels or **96%** were supplied by Novum Energy.

Approximately 90% of HFO imported into the domestic market was consumed in power generation, while asphalt production used 1% and the remainder was used for bunkering, industrial and manufacturing purposes.

Shipping

During the financial year, BNOCL derived considerable economic and logistical benefit from the continuation of the "time charter" contract with Tradewind Tankers. Under this exclusive contract, BNOCL was able to freight its products to its various loading and discharging ports across the Caribbean Sea. The vessel offered an additional 90,000 barrels of floating storage to augment BNOCL's

existing land capacity at the BNTCL's Fairy Valley Terminal in Christ Church, whilst ensuring security of supply.

Terminal Overview

Operations of the Terminal were characterised by the alignment to best industry practices and standards with the achievement of relative success in operational excellence in all functional areas.

In addition, with the new energy policy aimed to achieve 100% use of renewable energy and carbon neutrality by 2030, management introduced an operational excellence guiding initiative to ensure consistent performance of high efficiency and productivity to offset the expected decline in revenues resulting from the renewable energy thrust. Subsequently, Key Performance Indicators (KPI) were established in all functional areas along with a management review system to evaluate performance quarterly.

Total sales of petroleum products and crude oil export declined by 3% and 4% respectively, when compared to previous financial years. Except for fuel oil, which showed a 13% increase in sales in comparison to last financial year, this trend was common to all individual products.

Stored Volumes - Refined Products

The Terminal stored a total of 2,556,938 barrels of petroleum product (Unleaded gasoline, Ultralow Sulphur Diesel and fuel oil inclusive of asphalt feed) through the marketing department of the BNOCL. There was an increase of approximate 4% when compared to the previous year's figures of 2,432,528 barrels.

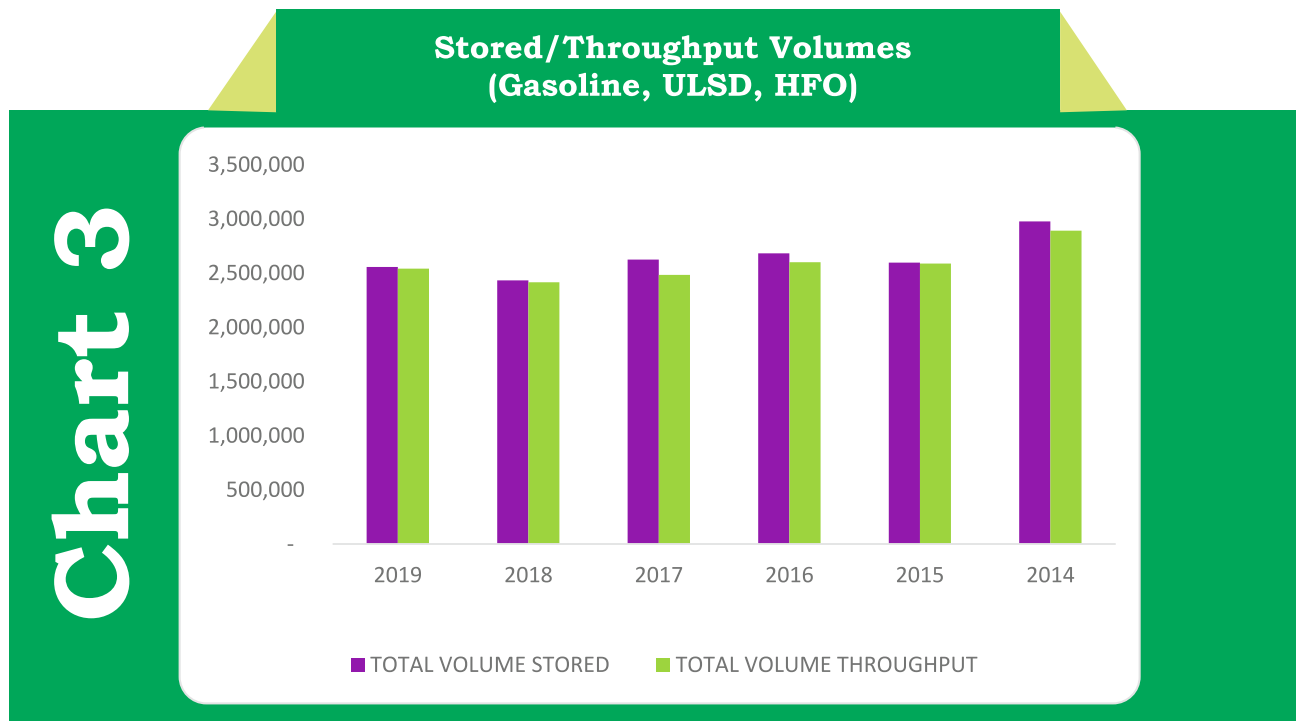
The Terminal imported and stored 727,202 barrels of gasoline and 455,178 barrels of ULSD diesel, which was a decrease when compared to last year's figures of 741,005 barrels and 505,494 barrels, respectively.

Fuel oil which is imported and stored at SOL Holbourne facility recorded import and storage volumes of 1,336,923 barrels for this period. These figures reflected

an increase of 13% in the storage of fuel oil when compared to previous financial year figures of 1,185,848 barrels.

Throughput Volumes - Refined Products

There was an increase in throughput volume (sales) in comparison with the previous financial year. Total throughput volumes recorded for this financial year stood at 2,540,651 barrels in comparison to 2,415,402 barrels for the financial year, resulting in an overall increase of approximately 5.01%. **See Chart 3.** Fuel oil was the sole product that contributed to this overall increase with volumes moving from the previous year's figure of 1,151,231 barrels to this year's figure of 1,309,236 barrels. Gasoline and diesel throughput volumes declined from 755,663 barrels and 508,508 barrels to 733,337 barrels and 448,256 barrels respectively.



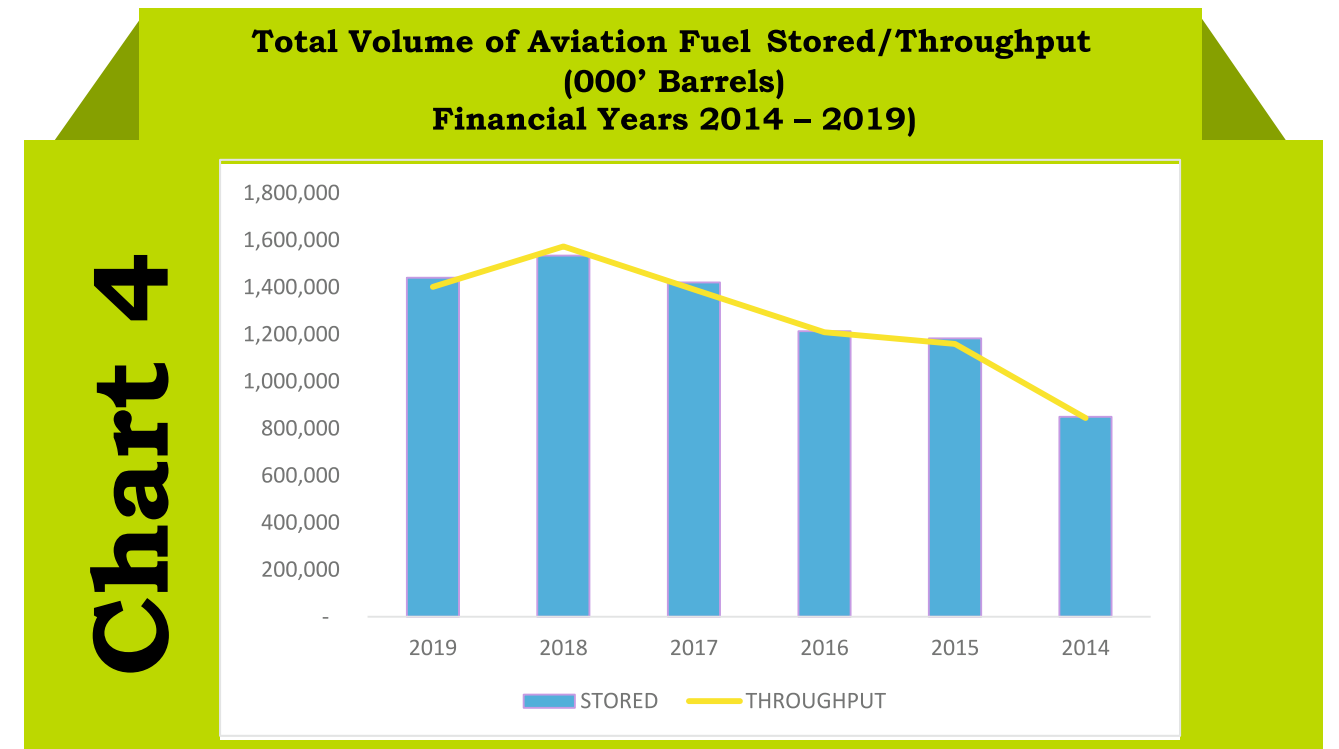
Crude Oil Exports

Total crude oil exports also declined by 3%, with approximately 227,614 barrels exported this period in comparison to 237,074 barrels for 2017-2018.

Stored and Throughput Volumes - Aviation Fuel

Aviation fuel imports also declined from 1,533,750 barrels recorded the previous year to 1,440,051 barrels for this financial year, a 6 % decrease. **See Chart 4.** This trend was also consistent with crude oil from BNOCL to the terminal for storage as storage dropped from 237,074 barrels to 227,614 barrels, which equated to 4% decrease.

Throughput volumes for aviation fuels (Jet A1) moved from the previous year's figure of 1,572,628 barrels to 1,401,176 barrels, an overall decrease in amounts of approximately 12 %.



Asset Integrity Management

Risk based inspections along with a robust preventative maintenance program were the pivotal elements in maintaining the Terminal's critical operating asset, whilst reducing unplanned maintenance/shutdowns. Additionally, an energy audit was conducted on the terminal operations with a view to reducing energy usage and costs by approximately 20%. It is anticipated that these recommendations will be implemented during the next financial year.

Pipeline Maintenance and New Maintenance Offices

The status of the divestment of BNTCL, which impacted the execution of some medium and long-term initiatives, was finally settled. Thus, the repairs to the pipelines and construction of new Maintenance Offices and Workshop were approved for execution. It is anticipated that these projects will be executed within the first quarter of the upcoming financial year.

Plans were finalized for the repair and assessment of the pipelines based on the recommendations of the validation of the pipeline inspection carried out in 2016. It was therefore anticipated that work would commence during the first quarter of the 2019-2020 financial year.

Finalized building plans for the construction of the Maintenance offices and workshop were submitted to and subsequently approved by Town and Country Planning Department. This project was also anticipated to start during the first quarter of 2019 to 2020 financial year.

Health and Safety Overview

In 2019, the HSSE Department placed an emphasis on the movement towards the risk-based approach to the management of HSSE. Subsequently, key personnel from all of the Group's companies underwent training in Hazard and Effects Management as well as the more specialized Health Risk Assessment. The training was conducted by partners in the oil and gas industry and concentrated on energy industry methodologies. Included in the training, was TRIPOD Accident Investigation methodology which was selected for use by the Group's HSE Committee members. This has improved the quality of accident investigations conducted to prevent accidents from re-occurring.

In addition, BNOCL also made a strategic decision to improve the readiness of the Group to all risks, whether financial, regulatory, safety or environmental. In order to achieve this, a Business Continuity Plan was drafted with the aim of addressing all risks as they are identified. One key area identified was the management of Risk and Mitigation strategy as it relates to senior management's execution of crises and similar scenarios. Incident Command training was conducted for senior management and key personnel, as part of the gap analysis and readiness preparation. The training included participants from across the oil and gas industry, as well as partners in the regulatory agencies.

The Group's annual Health Fair and the monthly health sessions for employees were expanded to include topics to address national trends and issues. One such discussion involved a team from the Royal Barbados Police Force discussing "Personal Conflict and Domestic Violence". More traditional topics such as asthma and general health were also conducted.

The Joint Water Monitoring Programme with the Barbados Water Authority, ongoing since its inception in 1996, continued with sampling taking place at critical locations within the Woodbourne oilfield. Results of analysis indicated that the

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.

At the Terminal, the HSSE management system was updated and subsequently several safety procedures such as Job Safety Analysis were revised and staff trained. Environmental management of the Terminal was enhanced through the development of a waste disposal policy and procedure.

To ensure compliance with the Safety, Health at Work Act, as well as international best practices, BNTCL also focused on revisions to its existing HSSE management system and gap analysis of its HSSE procedures.

Moreover, the Company completed an initial assessment of its safety management system for the requirements of the Labour Department's ACTION programme. The programme is a self-management framework to promote occupational safety and health beyond the required regulatory and legislative compliance. The Terminal is hopeful of attaining the Platinum award of the programme from the department by June 2019.

Financial Overview

The BNOCL Group experienced a total comprehensive income of BDS\$3.3 million for the year ended March 2019 as compared to a total comprehensive income of BDS\$10.5 million in 2018. The parent company BNOCL as an entity recorded a total comprehensive loss of (BDS\$1.8 million) for the year 2019 as compared to total comprehensive income of BDS\$8.8 million in 2018. BNOSL recorded a loss totaling (BDS\$3.0 million) in 2019 as compared to a total comprehensive loss of (BDS\$6.5 million) in 2018.

The decline in profitability at the Group level was primarily due to the decreased profitability of BNOCL and BNTCL, although further reduction in the losses of BNOSL offset that to some degree. BNTCL recorded a total comprehensive profit of BDS\$7.3 million in 2019. This was 12.6% less than the total comprehensive profit of BDS\$8.4 million recorded in 2018.

Revenue

The Group's gross revenue increased by 15.5% from BDS\$419.5 million in the year ended March 2018 to BDS\$484.6 million in the current year under review. The sale of refined petroleum products accounted for BDS\$423.9 million or 87.4% of gross revenue for the current year. This represented a 15.8% increase on the previous year's refined products revenue of BDS\$365.9 million. The increase in this segment of the business resulted from the sale of product at higher average prices as well as an increase in volumes relating to fuel oil.

There was a 14% increase in imported volumes of fuel oil and consequently revenue from the sale of fuel oil increased by 37.8% from BDS\$136 million in 2018 to BDS\$187.5 million in the year under review. Revenue from gasoline and diesel increased from BDS\$228.3 million to BDS\$230.7 million. This represented an increase of 1.1% or BDS\$2.4 million. Revenue from Asphalt feed increased from BDS\$1.9 million in 2018 to BDS\$6.2 million in 2019.

Revenue from the sale of natural gas decreased from BDS\$10.9 million in 2018 to BDS\$10.6 million in the year under review. The price of indigenous natural gas to the National Petroleum Corporation (NPC) 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 decreased by 21.2% or BDS\$1.5 million from BDS\$6.9 million in 2018 to BDS\$5.4 million in the current year. These amounts are included in the total Terminal throughput fees of BDS\$27.5 million for the year under review. Total Terminal throughput fees increased by BDS\$0.6 million or 2% compared to the figure of BDS\$28.1 million for 2018.

Operating Cost

The operating cost of the Group increased by 17.6% from BDS\$390.9 million in 2018 to BDS\$459.4 million in the current year. The major contributor was an increase in the overall cost of refined product to BDS\$413.2 million in the current year compared with a cost of BDS\$348.9 million in 2018. This represented an increase of 18.5% when compared to the previous year and was attributable primarily to an increase in the volumes of fuel oil imported and generally higher costs per barrel.

General and Administration Expenses

In the year under review, the Group's General and Administration expenses increased by 29% from BDS\$13.4 million in 2018 to BDS\$17.3 million, while its Debt servicing costs decreased by 25.3% from BDS\$5.9 million in 2018 to BDS\$4.4 million in the year under review. The reduced Debt servicing costs was mainly due to the amortization of the various loans of the Group. The total loans balance was BDS\$72.3 million in 2018 but this figure was reduced to BDS\$55.4 million in the year under review.

Cash Flow

The Group generated BDS\$8 million from its operating activities for the current year. This was a significant decrease when compared to the BDS\$21.1 million in cash generated from operations in 2018. It should be noted, however, that net cash from operating activities was BDS\$3 million in 2019 as compared to BDS\$15 million in 2018. The Company also utilized BDS\$0.9 million in investing and BDS\$6.4 million in financing activities in the year ended March 2019. The opening cash balance of the Group was negative (BDS\$18.9) million while the ending cash balance was negative (BDS\$23.2) million. This represented an overall increase of BDS\$4.2 million in the cash balance of the Group.

Barbados National Oil Company Limited

Consolidated Financial Statements

March 31, 2019

(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. Leslie Barker
Mr. Noel Greenidge
Mr. Ronald Hewitt
Mr. Everton Lashley
Mr. Jehu Wiltshire
Mr. Hayden Workman

(Appointed September 3, 2018)

Mr. William Alexander McDonald - Chairman
Ms. Lachimi 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
Mr. Jehu Wiltshire

Corporate Secretary

Mr. Ashley Bignall

Auditor

PricewaterhouseCoopers SRL

Banker

Republic Bank (Barbados) Limited

Attorneys-at-law

Mr. Roger C. Forde, QC
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 and the effect 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, 2019, 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, 2019;
- 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 oil and gas reserves reports prepared as at March 31, 2019 and March 31, 2018 did not fully evaluate in-place volumes, reserves resources and project cost assumptions nor were they 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 and prior year.

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The Group reassessed its abandonment costs during the year. However management did not update the provision for abandonment as recorded on the consolidated statement of financial position. Had this revision been recorded, on an undiscounted basis property, plant and equipment and the provision for abandonment would have decreased by \$19,473,359. Additionally the accumulated depletion and depletion costs would have decreased by \$1,897,580 in the current year. In addition, 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 consolidated statement of cash flows for the current and prior year.

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 2019 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

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 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 Company'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 Company'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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRH

Bridgetown, Barbados
July 16, 2019

Barbados National Oil Company Limited

Consolidated Statement of Financial Position

As at March 31, 2019

(expressed in Barbados dollars)

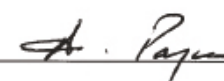
	2019 \$	2018 \$
Current assets		
Cash on hand and at bank (note 5)	4,759,923	5,295,068
Term deposits (note 6)	7,921,827	7,921,220
Debt service reserve (note 7)	6,091,231	3,527,654
Accounts and other receivables (note 8)	45,277,685	53,567,724
Due by related companies (note 9)	978,039	35,185,805
Financial investments (note 10)	–	9,906,000
Inventories (note 11)	43,164,139	42,569,619
Prepaid expenses	580,191	444,817
Corporation tax refundable	–	1,467,947
	108,773,035	159,885,854
Current liabilities		
Bank overdraft (note 5)	27,926,454	24,216,721
Accounts payable and accrued liabilities (note 15)	34,435,853	137,538,728
Due to related company (note 9)	87,698	3,091,166
Borrowings - current portion (note 7)	12,898,673	17,327,761
Due to Government of Barbados (note 16)	–	10,200,000
Corporation tax payable	41,310	–
	75,389,988	192,374,376
Working capital/(working capital deficit)	33,383,047	(32,488,522)
Long-term accounts and other receivables (note 8)	–	27,589,961
Financial investments (note 10)	6,229,348	6,974,029
Inventories (note 11)	493,981	791,753
Investment in associated company (note 12)	493,883	217,976
Property, plant and equipment (note 13)	183,368,507	194,723,599
Deposit on property, plant and equipment (note 14)	1,903,179	1,713,216
Provision for abandonment (note 17)	(44,358,308)	(42,246,007)
Accounts payable and accrued liabilities (note 15)	–	(22,930,802)
Employee benefits (note 18)	(1,671,997)	(1,475,927)
Borrowings (note 7)	(42,500,000)	(54,937,828)
Deferred tax asset (note 19)	39,602	192,768
Net assets	137,381,242	78,124,216
Represented by:		
Equity		
Share capital (note 20)	41,014,809	41,014,809
Retained earnings	96,366,433	37,109,407
	137,381,242	78,124,216

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

Approved by the Board of Directors on June 30, 2019



Director



Director

Barbados National Oil Company Limited

Consolidated Statement of Changes in Equity

For the year ended March 31, 2019

(expressed in Barbados dollars)

	Share capital \$	Retained earnings \$	Total \$
Balance at March 31, 2017	41,014,809	26,658,336	67,673,145
Net income for the year	–	9,728,673	9,728,673
Other comprehensive income	–	722,398	722,398
Total comprehensive income for the year	–	10,451,071	10,451,071
Balance at March 31, 2018	41,014,809	37,109,407	78,124,216
Expected credit loss adjustment (note 9)	–	(8,872,958)	(8,872,958)
Balance at April 1, 2018 (restated)	41,014,809	28,236,449	69,251,258
Rescinding of dividend declared (note 15)	–	53,000,000	53,000,000
Write-off of intragovernmental debt (note 31)	–	11,836,883	11,836,883
Net income for the year	–	3,678,344	3,678,344
Other comprehensive loss	–	(385,243)	(385,243)
Total comprehensive income for the year	–	3,293,101	3,293,101
Balance at March 31, 2019	41,014,809	96,366,433	137,381,242

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

Barbados National Oil Company Limited

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2019

(expressed in Barbados dollars)

	2019 \$	2018 \$
Revenue		
Upstream revenue (note 21)	55,430,134	46,696,839
Refined products sales	423,776,018	365,924,894
Terminal throughput fees	5,416,573	6,874,614
	<u>484,622,725</u>	<u>419,496,347</u>
Operating costs		
Cost of goods sold - refined products (note 24)	413,231,060	348,837,126
Cost of goods sold - crude oil (note 24)	19,531,548	15,473,814
Facilities leasing costs (note 27)	4,189,450	3,600,936
Terminal operating costs (note 24)	4,473,723	4,039,984
Depreciation (note 13)	8,158,569	8,268,470
Depletion (note 13)	5,932,089	5,752,049
Royalties	3,833,728	3,407,172
Provision for inventory obsolescence (note 11)	–	1,159,401
	<u>459,350,167</u>	<u>390,538,952</u>
Gross profit	25,272,558	28,957,395
General and administrative expenses (note 24)	(17,314,739)	(13,420,255)
Interest expense (note 7)	(4,398,790)	(5,886,525)
	<u>3,559,029</u>	<u>9,650,615</u>
Operating profit	3,559,029	9,650,615
Other income (note 22)	37,884	227,424
	<u>3,596,913</u>	<u>9,878,039</u>
Profit before share of net income/(loss) of associated company	3,596,913	9,878,039
Share of net income/(loss) of associated company (note 12)	275,907	(250,691)
	<u>3,872,820</u>	<u>9,627,348</u>
Profit before taxation	3,872,820	9,627,348
Taxation (note 19)	(194,476)	101,325
	<u>3,678,344</u>	<u>9,728,673</u>
Net income for the year	3,678,344	9,728,673
Other comprehensive (loss)/income		
Remeasurements of defined employee benefits (note 18)	(385,243)	722,398
	<u>3,293,101</u>	<u>10,451,071</u>

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, 2019

(expressed in Barbados dollars)

	2019 \$	2018 \$
Cash flows from operating activities		
Profit before taxation	3,872,820	9,627,348
Adjustments for:		
Depreciation	8,158,569	8,268,470
Depletion	5,932,089	5,752,049
Provision for inventory obsolescence	–	1,159,401
Pension plan expense	938,901	1,058,668
Share of net (income)/loss of associated company	(275,907)	250,691
Interest expense	4,398,790	5,886,525
Interest income	(537,607)	(856,437)
Gain on disposal of property, plant and equipment	–	(55,319)
Amortisation of inventories	297,772	291,689
Amortisation of bond issue cost	110,845	116,097
Translation of US\$ bond	78,041	72,595
Write-off of deposit on assets	52,028	–
	<u>23,026,341</u>	<u>31,571,777</u>
Operating income before working capital changes	23,026,341	31,571,777
Increase in term deposits	(607)	(170,634)
(Increase)/decrease in debt service reserve	(2,563,577)	6,746,227
Increase in accounts receivable	(3,666,012)	(4,082,528)
Decrease/(increase) in amount due by related companies	2,720,828	(10,188,250)
Increase in inventories	(594,520)	(4,120,253)
(Increase)/decrease in prepaid expenses	(135,374)	45,632
Increase in due to related company	82,671	3,091,166
Decrease in accounts payable and accrued liabilities	(10,854,994)	(1,551,501)
	<u>8,014,756</u>	<u>21,341,636</u>
Cash generated from operations	8,014,756	21,341,636
Interest paid	(4,398,790)	(5,886,525)
Income taxes paid (net)	–	(6,778)
Pension plan contributions paid	(1,128,075)	(1,260,342)
Interest received	504,325	856,437
	<u>2,992,216</u>	<u>15,044,428</u>
Net cash generated from operating activities	2,992,216	15,044,428
Cash flows from investing activities		
Purchase of property, plant and equipment	(675,293)	(5,142,969)
Deposit on plant and equipment	(189,963)	(44,147)
Proceeds from disposal of property, plant and equipment	–	55,318
	<u>(865,256)</u>	<u>(5,131,798)</u>
Net cash used in investing activities	(865,256)	(5,131,798)
Carried forward	2,126,960	9,912,630

Barbados National Oil Company Limited

Consolidated Statement of Cash Flows ...continued

For the year ended March 31, 2019

(expressed in Barbados dollars)

	2019 \$	2018 \$
Brought forward	2,126,960	9,912,630
Cash flows from financing activities		
Repayment of borrowings	(17,055,802)	(17,666,237)
Repayment of debt securities	777,964	1,080,094
Purchase of debt securities	–	(9,906,000)
Redemption of debt securities	9,906,000	19,840,000
Net cash used in financing activities	(6,371,838)	(6,652,143)
Net (decrease)/increase in cash and cash equivalents	(4,244,878)	3,260,487
Cash and cash equivalents - beginning of year	(18,921,653)	(22,182,140)
Cash and cash equivalents - end of year (note 5)	(23,166,531)	(18,921,653)

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

1 General information

The Company is incorporated under the Companies Act, CAP 308 of 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 new standards and amendment to published standards are applicable to the financial period.

IFRS 9 ‘Financial instruments’ (effective January 1, 2018). It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 ‘Revenue from contracts with customers’ (effective January 1, 2018). IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Amendment to IFRS 15, ‘Revenue from contracts with customers’ (effective January 1, 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

ii) New standards, amendments and interpretations mandatory for the first time for the financial period beginning April 1, 2018 but not currently relevant to the Group

Amendment to IFRS 2, ‘Share based payments’, on clarifying how to account for certain types of share-based payment transactions (effective January 1, 2018).

Amendment to IFRS 4, ‘Insurance contracts’, regarding the implementation of IFRS 9 “Financial instruments” (effective January 1, 2018).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(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, 2018 but not currently relevant to the Group...continued*

Amendment to IAS 40, 'Investment property' relating to transfers of investment property (effective January 1, 2018).

Annual improvements 2014 - 2016 to IFRS 1, 'First-time adoption of IFRS' regarding the deletion of short-term exemptions for first time adopters regarding IFRS 7, IAS 19 and IFRS 10 (effective January 1, 2018).

Annual improvements 2014 - 2016 to IAS 28, 'Investment in associates and joint-ventures' regarding measuring an associate or joint venture at fair value (effective January 1, 2018).

IFRIC 22, 'Foreign currency transactions and advance consideration' this addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency (effective January 1, 2018).

iii) *New standards, amendments and interpretations issued but not yet effective for the financial period beginning April 1, 2018 and not early adopted*

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.

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).

Amendments to IAS 1 and IAS 8 on the definition of material. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information (effective January 1, 2019).

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement. These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. (effective January 1, 2019).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

iii) *New standards, amendments and interpretations issued but not yet effective for the financial period beginning April 1, 2018 and not early adopted ...continued*

Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation and modification of financial liabilities. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39 (effective January 1, 2019).

b) 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).

c) 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.

d) 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.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

e) 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.

f) 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.

g) 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, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

h) 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.

i) 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, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

j) Provisions

Provisions for abandonment are recognised when the Group has a present legal or constructive obligation as a result of past events; if 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.

k) 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.

l) 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.

m) 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 differs 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, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

n) 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.

o) 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.

p) 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.

q) 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.

r) Impairment of non-financial assets

Property, plant and equipment 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.

s) 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, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

t) Financial instruments

- i) A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another entity.

Financial assets under IFRS 9 - from April 1, 2018

Classification

From April 1, 2018, the Group classifies its financial assets in the following measurement category:

- those to be measured at amortised cost (AC)

The classification for debt instruments depends on the entity's Business Model for managing those assets. It also requires the entity to examine the contractual terms of the cash flows, i.e. whether these represent 'Solely Payments of Principal and Interest' (SPPI).

The Business Model test requires the entity to assess the purpose for holding debt securities (hold to collect, hold to collect and sell or to trade). Substantially all the Group's debt instruments are held to maturity to collect cash flows and accordingly meet the 'hold to collect' criteria.

All debt instruments passing the Business Model and SPPI tests are classified at amortised cost.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

t) Financial instruments ...continued

i) Financial assets under IFRS 9 - from April 1, 2018 ...continued

Debt instruments (IFRS 9)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included within 'interest income' using the effective interest rate method.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment

From April 1, 2018, the Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost.

Accounts receivable

The Group applies the simplified approach for trade receivables as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies specific provisions for higher risk accounts using a risk-based methodology based on certain factors, including customer profile and the nature of products sold or services rendered. All other non-specific accounts were grouped together and aged using a 'provisions matrix'. Scaled loss rates were then calculated based on historical payment profiles and applied to the different aging buckets as of the statement of financial position date. The loss rates were adjusted to incorporate forward-looking information.

ii) Financial assets under IAS 39 - up to March 31, 2018

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy, IAS 39.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

t) Financial instruments ...continued

ii) Financial assets under IAS 39 - up to March 31, 2018 ...continued

Classification

Until March 31, 2018, the Group classified its financial assets as loans and receivables:

The classification depended on the purpose for which the financial assets were acquired. Management determined the classification at initial recognition and re-evaluated this designation at every reporting date.

Loans and receivables were intended to be held for an indefinite period of time and hence were included in non-current assets unless management intended to dispose of the investment within twelve months of the statement of financial position date. They were available to be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. They were measured initially at fair value and were subsequently remeasured at their fair value based on quoted bid prices. Investments without quoted prices were carried at management's valuation based on the net assets of the entity net of any provisions made where there was an indication of impairment. Unrealised gains and losses were recorded in the consolidated statement of comprehensive income. Either on the disposal of the asset or if the asset was determined to be impaired, the previously recorded gain or loss was transferred to the consolidated statement of comprehensive income.

Purchases and sales of investments were recognised on the trade date which was the date that the parent company committed to purchase or sell the asset. Cost of purchase included transaction costs.

Financial assets were de-recognised when the rights to receive cash flows from the investments expired or were transferred and the Group had transferred substantially all risks and rewards of ownership.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, accounts and other receivables and amounts due from related parties were carried at amortised cost using the effective interest method.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

t) Financial instruments ...continued

ii) Financial assets under IAS 39 - up to March 31, 2018 ...continued

Impairment ...continued

Assets carried at amortised cost:

For trade receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in statement of comprehensive income.

iii) Financial liabilities

The Group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the statement of financial position date, the following items were classified as financial liabilities: accounts payable and accrued liabilities and due to related company.

iv) Fair values

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. Except for the amounts due from/to affiliated companies for which fair value cannot be established because the repayment terms are undetermined, estimated fair values are assumed to approximate their carrying values.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(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, 2019

(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 2019 and 2018, the Group's borrowings at variable rate were denominated in the Barbados dollar and United States dollar.

At March 31, 2019, 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 \$41,267 (2018 - \$92,920) 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, 2019

(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:

	2019		2018	
	\$	%	\$	%
Cash and bank balances	4,759,923	7.63	5,295,068	4.63
Term deposits	7,921,827	12.69	7,921,220	6.93
Debt service reserve	6,091,231	9.76	3,527,654	3.08
Accounts and other receivables	36,426,495	58.37	45,571,516	39.84
Due by related companies	978,039	1.57	35,185,805	30.76
Financial investments	6,229,348	9.98	16,880,029	14.76
	62,406,863	100.00	114,381,292	100.00

The Group recognises provision for losses for assets subject to credit risk using the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group uses three approaches in arriving at expected losses:

The simplified approach (for accounts receivables)

The general approach (for all other financial assets)

A practical expedient for financial assets with low credit risk (intercompany balances)

The simplified approach

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for accounts receivable. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. Accordingly, a lifetime expected loss allowance is used from day 1. To measure the lifetime loss allowance, the Group first considers whether any individual customer accounts require specific provisions. Loss rates are then assigned to these accounts based on qualitative and quantitative factors using a LGD matrix. All other non-specific accounts receivable are then grouped based on shared credit risk characteristics and the days past due.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

b) Credit risk ...continued

The expected loss rates for non-specific accounts are based on the payment profiles of sales over a period of 12 months starting April 1, 2017 and ending on March 31, 2018 and the corresponding historical credit losses experienced within this period.

Practical expedient for financial assets with low credit risk

As an exception to the simplified and general approaches, if the credit risk of a financial instrument is low at the reporting date, the Group can measure impairment using 12-month ECL, and so it does not have to assess whether a significant increase in credit risk has occurred.

The financial instrument has to meet the following requirements, in order for this practical expedient to apply:

- it has a low risk of default;
- the borrower is considered, in the short term, to have a strong capacity to meet its obligations in the near term; and
- the lender expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

Incorporation of forward-looking information

Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified indicators such as trends in days sales outstanding for key customers and macroeconomic indicators of the country to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Assets written off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments, even after several attempts at enforcement and/or recovery efforts. Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated statement of comprehensive income.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

b) Credit risk ...continued

The Group provides for credit losses on financial assets as follows:

March 31, 2019

Category	Credit Rating	Average ECL rate %	Estimated EAD \$	Expected credit loss \$
Performing (Stage 1)	Accounts receivable in the 1 to 30 days category	–	–	–
Underperforming (Stage 2)	Accounts receivable in the 31 to 90 days category	–	–	–
Non-performing (Stage 3)	Accounts receivable over 90 days	–	–	–
Write-off	Recovery is highly unlikely	–	–	–
TOTAL		–	–	–

Credit Rating	Estimated EAD
Financial assets in the 1 - 30 days category	–
Financial assets in the 31 to 90 days category	–
Financial assets over 90 days	–
Recovery is highly unlikely	11,423,364
	11,423,364

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2019

(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 \$
At March 31, 2019			
Bank overdraft	27,926,454	–	27,926,454
Borrowings	16,115,980	51,961,023	68,077,003
Accounts payable	33,468,504	–	33,468,504
Due to related company	87,698	–	87,698
Total liabilities	77,598,636	51,961,023	129,559,659

At March 31, 2018

Bank overdraft	24,216,721	–	24,216,721
Borrowings	21,520,709	67,727,008	89,247,717
Accounts payable	136,789,939	22,930,802	159,720,741
Due to related company	3,091,166	–	3,091,166
Due to Government of Barbados	10,200,000	–	10,200,000
Total liabilities	195,818,535	90,657,810	286,476,345

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(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 \$
At March 31, 2019			
Bank overdraft	27,926,454	–	27,926,454
Borrowings	16,115,980	51,961,023	68,077,003
Accounts payable	33,468,504	–	33,468,504
Due to related company	87,698	–	87,698
Total liabilities	77,598,636	51,961,023	129,559,659
At March 31, 2018			
Bank overdraft	24,216,721	–	24,216,721
Borrowings	21,520,709	67,727,008	89,247,717
Accounts payable	136,789,939	22,930,802	159,720,741
Due to related company	3,091,166	–	3,091,166
Due to Government of Barbados	10,200,000	–	10,200,000
Total liabilities	195,818,535	90,657,810	286,476,345

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(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 \$
At March 31, 2019			
Cash and cash equivalents	4,759,923	–	4,759,923
Term deposits	7,921,827	–	7,921,827
Debt service reserve	6,091,231	–	6,091,231
Accounts and other receivables	36,426,495	–	36,426,495
Due by related companies	978,039	–	978,039
Financial investments	–	6,229,348	6,229,348
Assets held for managing liquidity	56,177,515	6,229,348	62,406,863
At March 31, 2018			
Cash and cash equivalents	5,295,068	–	5,295,068
Term deposits	7,921,220	–	7,921,220
Debt service reserve	3,527,654	–	3,527,654
Accounts and other receivable	45,571,516	–	45,571,516
Due by related companies	35,185,805	–	35,185,805
Financial investments	9,906,000	6,974,029	16,880,029
Assets held for managing liquidity	107,407,263	6,974,029	114,381,292

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, 2019

(expressed in Barbados dollars)

5 Cash and cash equivalents

	2019 \$	2018 \$
Cash on hand and at bank	4,759,923	5,295,068
Bank overdraft	<u>(27,926,454)</u>	<u>(24,216,721)</u>
	<u>(23,166,531)</u>	<u>(18,921,653)</u>

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

The bank overdraft is secured as follows:

- A legal mortgage of \$30M over the fixed and floating assets of the Company with a specific charge over property located at Woodbourne, St. Philip.
- Lien over term deposit for \$6.4M.
- Lien over fixed deposit accounts for \$152,143 and \$152,143 in the name of the Company securing stand-by letters of credit.
- Assignment of Trident Insurance Company Limited policy number FC-36115 over the stock of the Barbados National Oil Company Limited held at Barbados National Terminal Company Limited at Fairy Valley, Christ Church and anywhere else the Company operates. Republic Bank's interest on USD\$11M worth of stock consisting of either crude oil to be shipped or refined oil. Total sum insured \$196M, expiring April 1, 2019.

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% (2018 - 6.25%).

6 Term deposits

	2019 \$	2018 \$
Term deposits	<u>7,921,827</u>	<u>7,921,220</u>

Term deposits have maturities of 6 months or less and bear interest at 0.01% (2018 - 0.01%).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

7 Borrowings

	2019 \$	2018 \$
i) Barbados National Oil Company Limited	6,159,784	13,770,982
ii) Barbados National Terminal Company Limited	<u>49,238,889</u>	<u>58,494,607</u>
	55,398,673	72,265,589
Less: Current portion	<u>(12,898,673)</u>	<u>(17,327,761)</u>
Long-term portion	<u>42,500,000</u>	<u>54,937,828</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:

- Series 1 - BDS\$25M with interest rate of 5.25% per annum matured on December 31, 2012.
- Series 2 - US\$25M with interest rate of 5.75% per annum and matured on December 31, 2014.
- Series 3 - BDS\$25M with interest rate of 6.375% per annum and matured on December 31, 2016.
- Series 4 - BDS\$20M with interest rate of 6.75% per annum and matures on December 31, 2019.
- 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:

	2019 \$	2018 \$
a) Fixed rate bonds - BDS\$	2,033,082	4,589,857
b) Floating rate bonds - US\$	<u>4,126,702</u>	<u>9,291,970</u>
	6,159,784	13,881,827
Less issue costs	<u>-</u>	<u>(110,845)</u>
	<u>6,159,784</u>	<u>13,770,982</u>

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

7 Borrowings ...continued

i) Barbados National Oil Company Limited ...continued

Bond issue ...continued

	2019 \$	2018 \$
Non-current		
a) Fixed rate bonds - BDS\$/US\$	–	2,033,082
b) Floating rate bonds - US\$	–	4,126,702
	–	6,159,784
Less issue costs	–	(110,845)
	–	6,048,939
Current		
a) Fixed rate bonds - BDS\$/US\$	2,033,082	2,556,610
b) Floating rate bonds - US\$	4,126,702	5,165,433
	6,159,784	7,722,043
	6,159,784	13,770,982

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.

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 \$6,091,231 (2018 - \$3,527,654).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

7 Borrowings ...continued

ii) Barbados National Terminal Company Limited

	2019 \$	2018 \$
Non-current		
a) Fixed rate bond	16,250,000	18,750,000
b) Bank borrowings	26,250,000	30,138,889
	42,500,000	48,888,889
Current		
Borrowings	6,738,889	9,605,718
Total borrowings	49,238,889	58,494,607

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

	2019 \$	2018 \$
1 - 2 years	12,777,778	12,777,767
2 - 5 years	19,166,667	19,166,651
Over 5 years	10,555,555	16,944,471
	42,500,000	48,888,889

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, 2019

(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% (2018 - 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% (2018 - 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.
- Letter of Undertaking from Barbados National Oil Company to remit funds to satisfy monthly loan repayments at the Banks' request.

8 Accounts and other receivables

	2019	2018
	\$	\$
Current:		
Trade receivables	36,426,495	43,296,925
Loan receivable	–	2,029,642
Duty prepaid	8,052,580	7,996,208
VAT receivable	693,273	–
Other receivable	105,337	244,949
	45,277,685	53,567,724
Non-current:		
VAT receivable	–	27,589,961
Total accounts and other receivables	45,277,685	81,157,685

Loan receivable represented an advance to the Ministry of Energy and Environment, which was unsecured, interest free and had no stated date of repayment.(note 31).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
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8 Accounts and other receivables ...continued

Trade receivables that are less than 30 days past due are not considered impaired. As of March 31, 2019, trade receivables of \$1,395 (2018 - \$11,667,868) 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:

	2019	2018
	\$	\$
Less than 30 days	36,425,100	31,629,257
30 - 60 days	–	11,627,985
61 - 90 days	–	–
Over 90 days	1,395	39,683
Total trade receivables	36,426,495	43,296,925

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

The maximum exposure to credit risk at March 31, 2019 is the fair value of each class of receivable mentioned above, which approximates their carrying values. The Group does not hold any collateral as security.

There was no impairment provision on accounts and other receivables in 2019 or 2018.

9 Related party transactions

Due by related companies:

	2019	2018
	\$	\$
National Petroleum Corporation (NPC) (i)	978,039	26,312,847
Asphalt Processors Inc. (ii)	–	8,872,958
	978,039	35,185,805

National Petroleum Corporation

- i) The amount due by NPC is unsecured, interest free and normally payable within 30 days of the invoice date. As at year end \$978,039 (2018 - \$13,425,676) was past due but not impaired.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

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9 Related party transactions ...continued

Due by related companies: ...continued

Asphalt Processors Inc.

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

The following adjustment was made on the initial application of IFRS 9 Financial Instrument and all its related amendments effective April, 2018.

	2019	2018
	\$	\$
Asphalt Processors Inc.		
Balance at March 31, 2018		8,872,958
Expected credit loss adjustment through opening retained earnings		<u>(8,872,958)</u>
Opening balance at April 1, 2018		<u>–</u>
	2019	2018
	\$	\$
Due from Asphalt Processors Inc.	11,423,364	8,872,958
Loss allowance	(11,423,364)	–
	<u>–</u>	<u>8,872,958</u>

This amount arises mainly from sale transactions and is unsecured and interest free and without terms of repayment.

Due to related party:

	2019	2018
	\$	\$
National Petroleum Corporation	87,698	3,091,166

This amount is unsecured, bears no interest and is repayable on demand.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

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10 Financial investments

	2019	2018
	\$	\$
Non-current		
Financial assets at amortised cost:		
Transport Board Bond (i)	–	2,600,172
Barbados Port Inc Bond (ii)	3,776,099	4,373,857
Government of Barbados Series D Bond (iii)	2,453,249	–
	<u>6,229,348</u>	<u>6,974,029</u>
Balance - beginning of year	6,974,029	8,054,122
Repayment of debt securities	(787,198)	(1,080,093)
Derecognition of debt securities	(2,419,966)	–
Recognition of debt securities on restructure	2,462,483	–
	<u>6,229,348</u>	<u>6,974,029</u>
Balance - end of year	6,229,348	6,974,029
Current		
Financial assets at amortised cost:		
Government of Barbados Treasury Note	–	9,906,000
	<u>6,229,348</u>	<u>16,880,029</u>

i) The Transport Board Bond accrued interest at 6.875% and had a maturity of March 31, 2021.

ii) The Barbados Port Inc. Bond accrues interest at 7.5% and matures on March 31, 2024.

i) As part of the Government of Barbados' debt restructuring programme the Transport Board Bond was derecognised and exchanged for a Series D Bond. The bond accrues interest at 1.5% and matures on August 31, 2053.

The fair value of financial assets at amortised cost at year end was \$5,466,983 (2018 - \$7,433,978).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

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11 Inventories

	2019 \$	2018 \$
Refined products	29,099,329	27,476,370
Crude oil	5,111,565	6,814,846
Materials	23,623,575	24,535,470
Goods in transit	2,337,626	1,131,395
	60,172,095	59,958,081
Less: non-current portion - tank heels (i)	(493,981)	(791,753)
	59,678,114	59,166,328
Less: provision for obsolescence on materials	(16,513,975)	(16,596,709)
	43,164,139	42,569,619
	2019 \$	2018 \$
i) Non-current - tank heels		
Balance at beginning of year	791,753	1,083,442
Amortisation (note 22)	(297,772)	(291,689)
Balance at end of year	493,981	791,753

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

	2019 \$	2018 \$
Equity value of investment - beginning of year	217,976	468,667
Share of net income/(loss) of associated company for the year	275,907	(250,691)
Equity value of investment - end of year	493,883	217,976

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, 2019

(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
At March 31, 2017										
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
Year ended March 31, 2018										
Opening 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
Additions	205,366	236,533	668,401	-	2,753,940	-	41,471	149,765	1,087,493	5,142,969
Transfers	-	14,000	-	-	197,619	-	-	-	(211,619)	-
Increase in provision for abandonment (note 17)	-	-	-	-	-	-	-	4,094,710	-	4,094,710
Disposals - cost	-	(238,963)	-	-	-	-	-	-	-	(238,963)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Depreciation and depletion charges	(773,276)	(293,738)	(231,079)	(810,809)	(212,068)	(19,125)	(5,928,375)	(5,752,049)	-	(14,020,519)
Closing net book amount	13,999,027	786,133	925,009	4,882,633	3,364,280	62,681	86,731,544	80,329,257	3,643,035	194,723,599
At March 31, 2018										
Cost	21,873,053	7,138,243	4,333,465	38,908,042	14,258,976	1,102,082	162,042,673	221,572,686	3,643,035	475,111,219
Accumulated depreciation	(7,874,026)	(6,352,110)	(3,408,456)	(34,025,409)	(10,894,696)	(1,039,401)	(75,311,129)	(141,243,429)	-	(280,387,620)
Net book amount	13,999,027	786,133	925,009	4,882,633	3,364,280	62,681	86,731,544	80,329,257	3,643,035	194,723,599

Barbados National Oil Company Limited

 Notes to Consolidated Financial Statements
March 31, 2019

(expressed in Barbados dollars)

13 Property, plant and equipment ... continued

Year ended March 31, 2019	Land, buildings & leasehold improvements	Furniture, fixtures 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
Opening net book amount	13,999,027	786,133	925,009	4,882,633	3,364,280	62,681	86,731,544	80,329,257	3,643,035	194,723,599
Additions	—	380,131	106,568	—	—	—	21,742	97,752	69,100	675,293
Transfers	—	462,752	—	—	—	—	—	—	(462,752)	—
Increase in provision for abandonment (note 17)	—	—	—	—	—	—	—	2,112,300	—	2,112,300
Disposals - cost	—	(16,309)	(41,775)	—	—	—	—	—	(52,027)	(110,111)
Accumulated dep. on disposals	—	16,309	41,775	—	—	—	—	—	—	58,084
Depreciation and depletion charges	(765,529)	(670,167)	(274,338)	(745,922)	(299,924)	(19,125)	(5,383,564)	(5,932,089)	—	(14,090,658)
Closing net book amount	13,233,498	958,849	757,239	4,136,711	3,064,356	43,556	81,369,722	76,607,220	3,197,356	183,368,507
At March 31, 2019										
Cost	21,873,053	7,964,817	4,398,258	38,908,042	14,258,976	1,102,082	162,064,415	223,782,738	3,197,356	477,549,737
Accumulated depreciation	(8,639,555)	(7,005,968)	(3,641,019)	(34,771,331)	(11,194,620)	(1,058,526)	(80,694,693)	(147,175,518)	—	(294,181,230)
Net book amount	13,233,498	958,849	757,239	4,136,711	3,064,356	43,556	81,369,722	76,607,220	3,197,356	183,368,507

Barbados National Oil Company Limited

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14 Deposit on property, plant and equipment

At March 31, 2019, the Group made a deposit of \$1,520,000 (2018 - \$1,520,000) toward the purchase of land at Fairy Valley, Christ Church and made deposits totalling \$354,486 (2018 - \$193,216) on plant and equipment. A further \$13,680,000 (2018 - \$13,680,000) is due in relation to the land at Fairy Valley, Christ Church and \$Nil (2018 - \$Nil) is due in relation to the plant and equipment.

15 Accounts payable and accrued liabilities

	2019 \$	2018 \$
Non-current		
Duty payable (i)	—	22,930,802
Current		
Accounts payable	24,727,387	41,329,085
VAT payable	1,700,914	1,611,424
Accrued expenses	4,742,800	1,680,512
QEH payable	—	6,809,880
Fuel rebate payable	1,980,771	—
Other payables	86,687	67,827
Duty payable	1,197,294	33,040,000
Dividend payable (ii)	—	53,000,000
	34,435,853	137,538,728
	34,435,853	160,469,530

(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 was payable over a three and a half year period with five (5) semi-annual instalments commencing on November 1, 2016.

(ii) At a Board of Directors' meeting 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.

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 was interest free and repayable on demand. This loan was written off during the financial year as instructed by the Government of Barbados. (note 31)

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

17 Provision for abandonment

	2019 \$	2018 \$
Balance at beginning of year	42,246,007	38,151,297
Increase in provision for the year	<u>2,896,285</u>	4,094,710
Balance at end of year	<u>44,358,308</u>	42,246,007

During the year, the Group increased the provision due to the increased cost estimated to abandon a well to \$187,111 (2018 - \$178,201) per well which was 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. If management's estimate were to change by 10% the provision would increase or decrease by \$4,435,831 (2018 - \$4,224,601). No change, in this estimate has been made in the current year.

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. The next full triennial valuation is due on April 1, 2019. Interim valuations are performed each year.

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

	2019 \$	2018 \$
Fair value of plan assets	20,189,898	19,863,976
Present value of funded obligations	<u>(21,861,895)</u>	(21,339,903)
Net liability in the consolidated statement of financial position	<u>(1,671,997)</u>	(1,475,927)

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

18 Employee benefits ...continued

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

	2019 \$	2018 \$
Present value of funded obligations - beginning of year	21,339,903	20,258,919
Interest cost	1,689,793	1,613,136
Current service cost (including voluntary contributions)	1,134,430	1,237,829
Benefits paid	(898,106)	(862,914)
Actuarial gain on obligation	<u>(1,404,125)</u>	(907,067)
Present value of funded obligations - end of year	<u>21,861,895</u>	21,339,903

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

	2019 \$	2018 \$
Fair value of plan assets - beginning of year	19,863,976	17,858,920
Actual return on plan assets	(228,428)	1,229,453
Contributions - employer	1,128,075	1,260,340
Contributions - employee	324,381	378,177
Benefits paid	<u>(898,106)</u>	(862,914)
Fair value of plan assets - end of year	<u>20,189,898</u>	19,863,976

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

	2019 \$	2018 \$
Net liability at beginning of year	(1,475,927)	(2,399,999)
Net expense recognised in the statement of comprehensive income	(938,901)	(1,058,668)
Contributions paid	1,128,075	1,260,342
Remeasurements included in the statement of other comprehensive income	<u>(385,243)</u>	772,398
Net liability at end of year	<u>(1,671,996)</u>	(1,475,927)

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

18 Employee benefits ...continued

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

	2019	2018
	\$	\$
Current service cost	810,048	859,653
Interest on obligation	1,689,793	1,613,136
Expected return on plan assets	<u>(1,560,940)</u>	<u>(1,414,121)</u>
Total included in employee expenses	<u>938,901</u>	<u>1,058,668</u>

The amounts recognised in other comprehensive income are as follows:

	2019	2018
	\$	\$
Actuarial gain on obligation	1,404,125	907,067
Actual return on plan assets	(228,428)	1,229,452
Expected return on plan assets	<u>(1,560,940)</u>	<u>(1,414,121)</u>
Total included in other comprehensive income	<u>(385,243)</u>	<u>722,398</u>

	2019	2018
	\$	\$
Actual return on plan assets	<u>(228,428)</u>	<u>1,229,453</u>

Plan assets are comprised as follows:

	2019	2018
Mortgages	16%	15%
Bonds	51%	52%
Equities	19%	18%
Real estate	3%	3%
Current assets and liabilities	<u>12%</u>	<u>12%</u>
	<u>100%</u>	<u>100%</u>

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2019

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18 Employee benefits ...continued

Expected contributions for the year ending March 31, 2020 are \$1,096,797.

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:

	2019	2018
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	2.50%	0.75%
Future inflationary salary increases	4.25%	4.25%
Future changes in NIS Ceiling	2.50%	4.25%
Mortality	GAM 94	GAM 94

Through its defined benefit pension plans, 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, 2019

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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%	18,954,132	25,554,085
Salary growth rate	0.5%	22,947,524	20,845,391
Life expectancy	1 year	22,042,413	–

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 asset 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

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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:

	2019 \$	2018 \$
Current tax	41,310	–
Deferred tax charge/(release)	153,167	(101,325)
	194,477	(101,325)

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

	2019 \$	2018 \$
Profit before taxation	3,872,820	9,627,347
Tax calculated at statutory rate of 5.5%/3% (2018 - 30%)	213,005	2,888,206
Effect of sliding scale of tax rates	(14,652)	–
Tax effects of the following:		
Tax effect of rate at which deferred tax asset is computed	5,993,421	(18,263)
Expenses not deductible for tax purposes	605,098	3,754,766
Movement in deferred tax asset not recognised	(8,055,773)	(5,250,461)
Prior year under/(over) provision - current and deferred tax	1,550,834	(1,211,284)
(Income)/losses not subject to tax	(87,757)	75,207
Commercial building allowance	–	(66,000)
Investment allowance	(9,699)	(273,496)
Taxation charge	194,477	(101,325)

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2019

(expressed in Barbados dollars)

19 Taxation ...continued

The unrecognised deferred tax asset consists of the following components:

	2019	2018
	\$	\$
(Accelerated)/decelerated tax depreciation	(6,417,437)	8,105,874
Unutilised tax losses (note 23)	23,220,887	20,361,997
Inventory provision	342,306	342,306
Pension liability (note 18)	1,671,997	1,475,927
	<u>18,817,753</u>	<u>30,286,104</u>
Deferred tax asset at 5.5% (2018 - 30%)	<u>1,034,976</u>	9,085,831

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:

	2019	2018
	\$	\$
Accelerated depreciation	3,577	3,577
Unutilised tax losses (note 23)	396,344	234,873
Unpaid interest	320,109	404,109
	<u>720,030</u>	<u>642,559</u>
Deferred tax asset at 5.5% (2018 - 30%)	<u>39,602</u>	192,768

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 24.

On November 20, 2018, the Government of Barbados announced changes to the corporate tax rate from 30% to a sliding scale starting from 5.5% to 1% effective January 1, 2019. This change in legislation was enacted as at December 24, 2018.

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

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20 Share capital

Authorised

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

Issued

	2019	2018
	\$	\$
82,030 common shares	<u>41,014,809</u>	<u>41,014,809</u>

The shares are allotted as follows:

	2019	2018
	Number	Number
Government of Barbados - common shares	61,913	61,913
National Petroleum Corporation - common shares	<u>20,117</u>	<u>20,117</u>
	<u>82,030</u>	<u>82,030</u>

21 Upstream revenue

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

	2019	2018
	\$	\$
Crude oil	44,882,308	35,834,069
Natural gas - National Petroleum Corporation (a related party)	<u>10,547,826</u>	<u>10,862,770</u>
	<u>55,430,134</u>	<u>46,696,839</u>

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

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(expressed in Barbados dollars)

22 Other income

	2019 \$	2018 \$
Lease of property (note 27)	(488,000)	(488,000)
Interest income	537,607	856,437
Gain on disposal of property, plant and equipment	–	55,319
Other income	286,049	95,357
Amortisation of tank heels (note 11)	(297,772)	(291,689)
	<u>37,884</u>	<u>227,424</u>

23 Tax losses

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

Tax losses related to unrecognised deferred tax asset:

Year	Losses b/fwd. \$	Utilised \$	Incurred \$	Losses c/fwd. \$	Expiry date
2015	605,691	(605,691)	–	–	
2016	11,663,048	(980,510)	–	10,682,538	2023
2017	4,989,744	–	–	4,989,744	2024
2018	713,498	–	–	713,498	2025
2019	–	–	6,835,107	6,835,107	2026
	<u>17,971,981</u>	<u>(1,586,201)</u>	<u>6,835,107</u>	<u>23,220,887</u>	

Tax losses related to recognised deferred tax asset:

Year	Losses b/fwd. \$	Adjustment \$	Incurred \$	Losses c/fwd. \$	Expiry date
2018	234,873	42,000	–	276,873	2025
2019	–	–	119,471	119,471	2026
	<u>234,873</u>	<u>42,000</u>	<u>119,471</u>	<u>396,344</u>	

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

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24 Expenses by nature

	2019 \$	2018 \$
Petroleum products	424,826,359	355,728,844
Staff costs (note 25)	15,117,881	15,837,196
Consulting and professional fees	1,799,078	2,318,982
Repairs and maintenance	1,435,519	959,083
Insurance	1,529,549	1,405,380
Utilities	624,999	661,525
Loss allowance for amounts due from related company	2,550,406	–
Other	6,667,279	4,860,169
	<u>454,551,070</u>	<u>381,771,179</u>
Total cost of goods sold, terminal operating costs and general and administrative expenses		

25 Staff costs

Staff costs funded by the Group were as follows:

	2019 \$	2018 \$
Wages, salaries and bonus	11,443,344	12,068,267
Allowances	498,988	519,764
National Insurance	824,883	770,911
Pension expense	917,315	1,079,633
Medical and other costs	1,433,351	1,398,621
	<u>15,117,881</u>	<u>15,837,196</u>
Number of persons employed by the Group at year end	<u>141</u>	<u>161</u>

26 Key management compensation

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

	2019 \$	2018 \$
Salaries and other short-term benefits	<u>1,766,428</u>	<u>1,979,098</u>

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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:

	2019	2018
	\$	\$
Balance - beginning of year	569,333	81,333
Annual rent	488,000	488,000
Payment	<u>(772,666)</u>	–
Balance - end of year	<u>284,667</u>	569,333

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:

	2019	2018
	\$	\$
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>14,640,000</u>	15,128,000
	<u>17,568,000</u>	18,056,000

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.

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29 Contingent liabilities

- i) 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, 2019 amount to \$30,800,000 (2018 - \$30,800,000).
- ii) Stand-by Letter of credit payable by New Fortress Marketing LLC in the amount of USD\$75,000.
- iii) Stand-by Letter of credit payable by AES Andres DR SA in the amount of USD\$75,000.

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.

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31 Write-off of intragovernmental debt

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. The amounts written off during the year were as follows:

	\$
Due by related company	
National Petroleum Corporation	(19,527,841)
Government Institutions	
Barbados Revenue Authority	
(i) Value added tax	(29,513,231)
(ii) Excise tax	54,590,843
(iii) Duty advances	(7,996,208)
(iv) PAYE payable	4,459
(v) QEH payable	6,809,880
(vi) Corporation tax recoverable	(1,467,947)
Ministry of Finance, Economic Affairs & Investments	8,170,358
Ministry of Housing and Lands	772,667
Other	(6,097)
	<u>11,836,883</u>

Since no cash settlement was involved these amounts have been excluded from the consolidated statement of cash flows.



 **Barbados National Oil Co. Limited,**
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