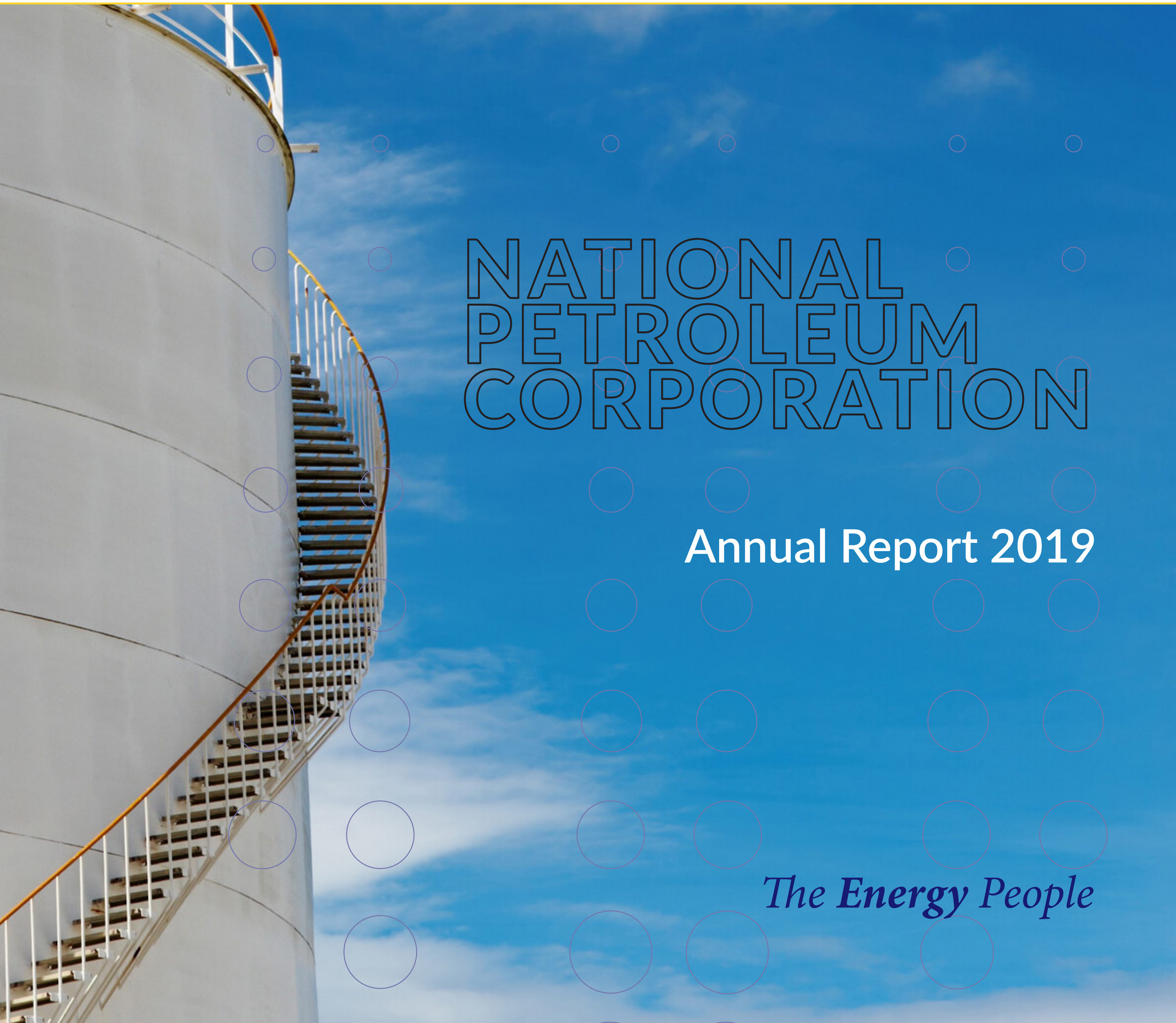
NPC

Natural Gas



NATIONAL PETROLEUM CORPORATION

Annual Report 2019

*The **Energy** People*

NATIONAL PETROLEUM CORPORATION

Annual Report 2019

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National Petroleum Corporation
Wildey, St. Michael, BB11000
P.O. Box 175, Bridgetown
Barbados, West Indies
Tel: (246) 430 4000 Fax: (246) 426 4326
Email: bimgas@caribsurf.com

NPC
The Energy People

Natural Gas

September 19th, 2019

Minister of Energy and Water Resources

Trinity Business Centre Inc.

Country Road

St. Michael

Dear Sir,

Letter of Transmittal

Pursuant to Sections 16 and 19 of the National Petroleum Corporation Act Cap 280, we have the honour to submit the thirty seventh Annual Report and Audited Financial Statements of the Corporation for the financial year ended March 31, 2019.

We note that the Auditor has forwarded to you on September 5th, 2019, the Audited Accounts and Financial Statements of the Corporation in accordance with section 16 (5) of the Act.

NATIONAL PETROLEUM CORPORATION

Yours faithfully

Dr. Asquith Thompson

Chairman

MISSION & VALUES

Mission Statement

The mission of the Corporation is to provide and maintain a safe, reliable, efficient and competitive gas service to customers and be instrumental in carrying out Government's energy policy to improve the quality of life in the community which we serve.

Core Values

The Corporation maintains the following core values in the performance of its duties:

Service:

To provide the best possible service never forgetting that what is done and the way it is done vitally affects the thousands of customers who depend on its service.

Honesty:

To conduct our business with honesty and integrity.

Concern:

To show concern for the welfare of our customers, fellow employees and the general public. We will protect the environment in which we live.

Excellence:

To strive for excellence in all that we do.

Team Work:

To work together in harmony as a team, combining our best thinking and efforts to make the Corporation the finest utility in the Nation.

BOARD OF DIRECTORS

Board of Directors – From May 2018

Legal Counsel

Mr. Michael Yearwood

Mr. Edmund King, QC

Auditor

PricewaterhouseCoopers SRL

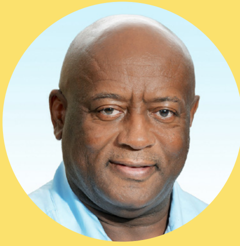
Bankers

Republic Bank (Barbados) Ltd.

First Caribbean International (Barbados) Limited

Scotiabank Barbados

Board of Directors - From May 2018

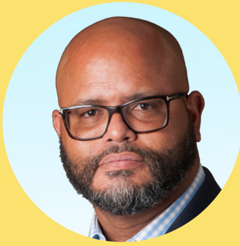


Dr. Asquith Thompson
Chairman

Herbert Yearwood
Deputy Chairman

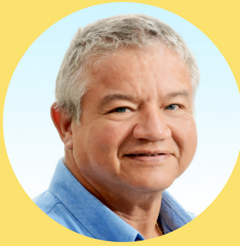
Janaye Burgess
Director

Lachmi Connell
Director



William Mcdonald
Director

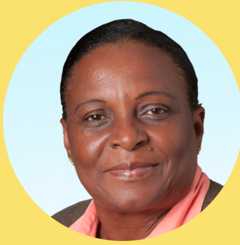
Neil Kirton
Director



Richard Hughes
Director

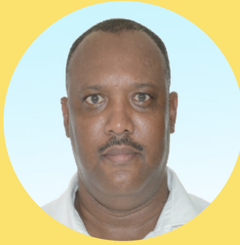
Ricardo Blackman
Director

Ethnie Bellamy-Weekes
Director

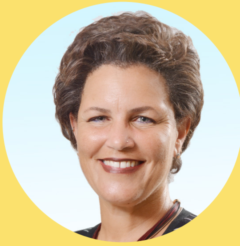


Averill Brathwaite
Director
(replaced Ethnie Bellamy-Weekes)

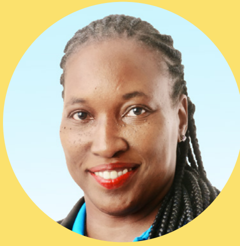
Lesley Trotman-Edwards
Director
Representative BWU



Bryan Haynes
Director
Representative
Ministry of Finance



Sonya Alleyne
Director



Nicole Puckerin
Director

Laura Rudder
Secretary to the Board of Directors

COMMITTEES OF THE BOARD OF DIRECTORS

Finance Committee

Dr. Asquith Thompson
Chairman

Mr. Herbert Yearwood

Mrs. Sonya Alleyne

Mrs. Ethnie Bellamy-Weekes
(Mrs. Averill Brathwaite *replaced Mrs. Ethnie Bellamy-Weekes on joining the board)*

Mrs. Francine Blackman
(Mr. Bryan Haynes *replaced Mrs. Francine Blackman on joining the board)*

Establishments Committee

Dr. Asquith Thompson
Chairman

Mr. Herbert Yearwood

Mr. Ricardo Blackman

Ms. Janaye Burgess

Mr. William McDonald

Ms. Nicole Puckerin

Mrs. Lesley Trotman-Edwards

Technical Committee

Mr. Herbert Yearwood
Chairman

Mr. Neil Kirton

Mr. Richard Hughes

Mrs. Sonya Alleyne

Amalgamation Sub-committee

Ms Lachmi Connell –
Committee Chair

Mr. Richard Hughes

Mr. Neil Kirton

Mr. Bryan Haynes
(*replaced* Mrs. Francine Blackman *on joining the board)*

Mrs. Lesley Trotman-Edwards

PRINCIPAL OFFICERS

Mr. James St. Elmo Wallace Browne
General Manager (seconded to BNOCL effective 01 January 2018)

Mr. Birchmore DeCourcey Scantlebury
General Manager (Ag) from 01 January 2018

Mr. Ian Bradshaw
Manager Finance (Ag)

Ms. Mechelle Maria Smith
Manager – Human Resources & Administration

Mr. Roger Emmanuel Arthur Martindale
Manager – Technical Operations

Mrs. Andrea Monique Burnett-Edward
Technical Officer

Mr. Wosley John Wayne Holder
Technical Officer/ Service Installations Coordinator

SENIOR OFFICERS

Executive Office

Noel King
Information Technology Officer (*Ag*)

Human Resources & Administration

Basil Smart
Administrative Officer

Francine Forde
Human Resources Officer

Technical Operation

Jamal Squires
Petroleum Engineer

Michael D. Bascombe
Superintendent (*Ag*)

Dave Downes
Foreman (*Ag*)

Michael J. Bascombe
Foreman (*Ag*)

Finance & Accounting

Karen Pilgrim
Asst. Accountant Costs & Budgets

Paula Gittens
Customer Service Officer

Margo Jordan
Meter Reading Supervisor (*Ag*)

Euclid Forde
Storekeeper

MANAGEMENT DISCUSSION AND ANALYSIS

Our Business

The National Petroleum Corporation (NPC) is a government owned corporation established as successor to the Natural Gas Corporation by the National Petroleum Corporation Act Cap 280. That Act came into effect on April 1, 1981. The Corporation's primary function is the sale of piped natural gas for domestic, commercial and industrial use.

The purpose of the enterprise is to provide and maintain an adequate, reliable, competitive, safe and efficient gas service to customers at a reasonable cost.

The Corporation's general functions pertaining to the production of crude oil, natural gas and liquefied petroleum gas, which are permitted by statute, are carried out by an associated company, the Barbados National Oil Company Limited (BNOCL). Since January 24, 1996, the Corporation has held 24.5% of the equity in BNOCL while the Government of Barbados holds 75.5%.

The Corporation is managed by a Board of Directors which comprised of twelve members under the chairmanship of Dr. Asquith Thompson.

Technical Operations Overview

During the fiscal year April 1, 2018 to March 31, 2019 the National Petroleum Corporation executed the following activities:

a) Some 0.48 Kilometres (or 0.30 miles) of new distribution pipelines were installed in the parishes of St. Michael and Christ Church;

b) Additionally, as part of our infrastructure maintenance programme, some 0.09 Kilometres (or 0.06 miles) of distribution pipeline were replaced in the parish of St. Michael only.

c) Furthermore, in circumstances arising from

   (i) private landowners' withdrawal of permission for having natural gas infrastructure installed on their land or

   (ii) where natural gas infrastructure is removed from its existing location for safety concerns or

   (iii) where there is the necessity of having the natural gas pipeline infrastructure removed from its existing location to facilitate land development. The Corporation for this fiscal year, engaged in the relocation of 0.14 kilometres (or 0.08 miles) of natural gas pipeline. The cost of executing such relocation work is generally borne by the requesting party.

Gas Loss Efficiencies

The National Petroleum Corporation (hereinafter called "the NPC") has generally, an aged natural gas infrastructure, as it relates to the natural gas distribution pipeline system. The aged pipeline system is principally in the Bridgetown, St. Michael areas and its environs and along the Highway 7 up to Dover, Christ Church in the east, and as far as Spring Garden, St. Michael in the South-west. Additionally, the NPC's aged distribution infrastructure is also in existence off road within the wooded area of Trents, St. James, east of Highway 1.

As a result of this reality, the NPC has had to confront these infrastructural challenges by way of the execution of selective maintenance of the natural gas infrastructure through the replacing of many of its leaking natural gas distribution pipelines, and also replacing many of its domestic and commercial meters, so as to stem pipeline leaks and ensure appropriate natural gas volumetric measurement. By the execution of these maintenance initiatives, the NPC continually seeks to be rewarded with gas loss efficiencies and the generation of increased revenues by ensuring that all of the natural gas that the NPC purchases from the Barbados National Oil Company Limited, is available for sale to its existing and future customers.

Over the many fiscal years, the objective of infrastructure maintenance has not been without challenges, especially in an unwavering environment of scarce financial resources, and the great pressure of having to expand the natural gas distribution network, to ensure that all the residents in the eleven (11) parishes of our island enjoy the benefit of having a natural gas supply.

Being mindful of the challenges, the NPC Board of Directors have ratified that in the circumstances, a gas loss of five percent (5%) of the gas purchased will be optimally acceptable, with a ninety-five percent (95%) volumetric availability. With this back-drop, the tabulated monthly results (Table 1) have been achieved for this fiscal year.

Table 1. Gas Loss Efficiency Data

No.	Month	Gas Loss as a Percentage (%)	Percentage Gas Available for Sale (%)
1	April	0	100.00
2	May	5.55	94.45
3	June	5.57	94.43
4	July	3.66	96.34
5	August	5.35	94.65
6	September	11.85	88.15
7	October	12.70	87.30
8	November	5.38	94.62
9	December	8.52	91.48
10	January	9.79	90.21
11	February	8.13	91.87
12	March	16.45	83.55

From the tabulated data provided on a monthly basis, the average natural gas loss and the percentage natural gas available for sale for the calendar year was 7.75% and 92.25% respectively. These figures are indeed above the policy position taken by the NPC Board of Directors.

There are many instances where the policy position of gas loss efficiencies was not achieved within specific months. Generally, the reasons for such non-achievement are

(a) where the NPC infrastructure suffered damage from third parties,

(b) where there were unreported infrastructure leaks, especially within the off-road areas, and

(c) where a given month's billing cycle fell on a weekend, and meters readings were estimated or not read..

However, with the availability of financial resources within our budgets and with the exercise of financial prudence, we endeavor to improve on our operational efficiencies, as we go forward into the next fiscal year 2020.

Financial Performance Overview

For the financial year ended March 31, 2019, The National Petroleum Corporation (NPC) recorded net income for the year before share of profit of associated company of $597,523.

This profit surpassed the comparative net income of $259,852 in the prior year. When the share of the profit of the associated company $902,076 was added to the operational profit, the net income for the year moved to $1,499,599, which varies negatively by 43% against that recorded in the prior year. Despite this position, the other comprehensive loss for the year was determined to be $3,133,876, which was mainly due to the remeasurements of the pension plan as a result of Government's debt restructuring. This erased the net income and resulted in a total comprehensive loss of $1,634,277.

Table 2 illustrates the comparative highlights of the statements of income for the last three years. All figures are expressed in thousands.

Table 2. Comparative Highlights of the Statements of Income 2017-2019
All figures are expressed in thousands, unless otherwise indicated.

	2018-19	2017-18	Variance	2016-17	Variance
Gas Sales	24,186	22,470	8%	18,139	24%
Operating expenses	24,072	22,607	6%	19,615	15%
Other income	597	635	-6%	603	5%
Operating profit	711	498	43%	(873)	-157%
Interest & other loan expenses	113	239	-53%	351	-32%
Net income (loss) before loss of associated company	598	259	131%	(1,224)	-121%

Appendix 2 further shows the distribution of income for the years 2009-10 to 2018-19.

Gas Sales

Total gas sales for the year under review amounted to $24,185,810 as compared to $22,470,478 for the prior year. There were marginal increases in commercial sales volumes as compared to the prior year. However, the positive variance in sales revenue was due to the increased sales tariff impacting on the entire financial year as compared to the last three quarters in the prior year. This sales tariff became effective July 2017.

The active customer base remained relatively constant as it moved to 21,281 in 2018-19 from 21,291 in 2017-18.

Table 3. Gas Sales Revenue 2017-18/ 2018-19

All figures are expressed in thousands, unless otherwise indicated.

	2018-19	2017-18	Variance	Explanation
Residential	5,542	5,276	5%	Average selling price increased by 4% but marginal decrease in sales volume by 1%
Commercial	18,151	16,689	9%	Average selling price increased by 8% but marginal increase in sales volume by 2%
Special Rate	495	529	-6%	Marginal decrease of sales volumes by 4%
	24,188	22,494	8%	
Allowances	2	24	-92%	
TOTAL	**24,186**	**22,470**	**8%**	

Operating Expenses

Total operating expenses increased by 6% in the current year as compared to the prior year mainly due to the inclusion of expenses related to the IDB loan and the recording of retro-active payments to staff during the year.

Table 4. Operating Expenses 2017-18/2018-19

All figures are expressed in thousands, unless otherwise indicated.

	2018-19	2017-18	Variance	Explanation
Production, transmission & distribution	12,708	12,690	0%	
General, administrative & commercial	9,004	7,719	17%	IDB loan expenses and retro-active payments
Depreciation	2,361	2,198	7%	
TOTAL	**24,073**	**22,607**	**6%**	

Balance Sheet Highlights

At March 31, 2019, total assets of the Corporation valued $76,971,996. Table 5 shows the balance sheet highlights for the year.

Table 5. Balance Sheet Highlights 2017-18/ 2018-19

All figures are expressed in thousands, unless otherwise indicated.

	2018-19	2017-18	Variance	Explanation
ASSETS				
Cash and cash equivalents	4,272	6,489	-34%	Repayment of aged invoices for gas purchases
Accounts receivable	3,037	16,122	-81%	Write off of intragovernmental debt
Corporation tax recoverable	0	13	-100%	Write off of intragovernmental debt
Inventory	909	880	3%	
Due from related company	1,966	3,641	-46%	Write off of intragovernmental debt
Prepaid expenses	46	66	-30%	
Property, plant and equipment	33,777	33,877	0%	
Investment in associated company	32,964	19,159	72%	Reversal of dividend receivable
Deferred expenses	0	8	-100%	
LIABILITIES AND EQUITY				
Accounts payable and accrued liabilities	4,033	4,188	-4%	
Due to related company	1,102	25,400	-96%	Write off of intragovernmental debt
Long-term debt (including current portion)	3,868	1,878	106%	Inclusion of loan proceeds from IDB loan
Progress payments received	59	56	5%	
Deferred lease premium	360	390	-8%	Amortization of lease premium
Deferred credit	1,404	1,494	-6%	Transfer from progress payment and amortization of deferred credit
Pension plan liability	3,350	1,537	118%	Pension expense and remeasurements less contributions paid
Capital grants	2,852	2,961	-4%	Amortization of capital grants
Retained earnings	49,536	31,941	55%	Net loss for the year. Effects of the intragovernmental debt write-off was recorded as retained earnings.

Statement of Cash Flow Highlights

At the end of the year ended March 31, 2019, the Corporation had decreased its cash and cash equivalents by $2,217,473. Table 6 shows the cash flow highlights for the year. All figures are expressed in thousands.

Table 6. Cash Flow Highlight 2017-18/ 2018-19

All figures are expressed in thousands, unless otherwise indicated.

	2018-19	2017-18	Variance	Explanation
Cash from operating activities	785	7,236	-89%	Repayment of aged invoices for gas purchases
Cash from investing activities	(1,349)	(1,891)	-29%	Investment in SAP ERP system
Cash from financing activities	(1,653)	(1,830)	-9%	Loan proceeds from IDB loan and repayment of previous loans
Increase (decrease) in cash and cash equivalents	(2,218)	3,515	-163%	
Cash and cash equivalents -beginning of year	6,489	2,973	118%	
Cash and cash equivalents - end of year	4,272	6,489	-34%	

Human Resources Overview

The department worked to transition its payroll system to the Kronos system, moving away from its legacy Innoprise system. This transition meant that the department could create greater linkages with time and attendance so as to ensure greater accuracy with payments of wages and salaries. In addition, the department continued to review its resource requirements so as to maintain continuity of its operations with the requisite human resource capital.

For the period under review, the NPC saw three persons retiring with tenures ranging from 27 to 38 years of service,

Staffing & Recruitment

During the year and owing to the resource needs due to operational requirements staff complement was 109 at March 31, 2019, as compared with 105 as at March 31, 2018. These numbers at year end included temporary resources who were recruited to ensure continuity of operations in some key areas.

Employee Engagement and Social Cohesion

The Corporation, in conjunction with the Barbados National Oil Company Limited and the Division of Energy continued to engage staff activities to promote and encourage employee integration in light of the proposed amalgamation between the Barbados National Oil Company and the National Petroleum Corporation. These activities included a Staff Fun Day in November and the annual Staff Christmas Luncheon in December.

Compensation & Benefits

Pensions – The Corporation's non-contributory defined benefit pension plan is established under an irrevocable trust. The assets are invested in an independently administered deposit administration policy comprising treasury notes and debentures, term deposits and loans.

Training & Development

During the financial year ended March 2019, training was facilitated in the following key areas:

- Excel Intermediate for professionals
- Project Monitoring & Evaluation
- Small Diameter Operations by McElroy
- Inspector training & qualification training course by McElroy
- Fire Safety
- Supervisory Management
- Renewable Energy
- Photovoltaic Associate Training & Systems Inspectors course
- Wellness seminar for women

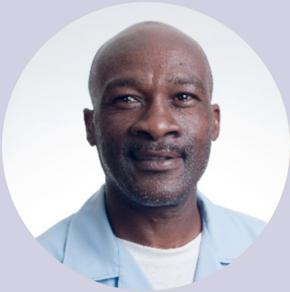
Overall, the number of training hours totalled 927.5 hours for the review period.

Retirees

The Corporation acknowledges that its reputation is built on the service of committed employees, whose contribution has helped it to achieve its operational and strategic goals. For the period under review, the NPC saw three long-standing employees retiring with tenures ranging from 27 to 38 years of service.

Retirees

Cameron Brewster
27 years of service



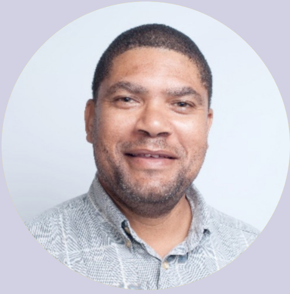
Lloyd Marshall
38 years of service

William Odderson
28 years of service

Recognition of Long Service Awardees

The Corporation has over the years, recognized that it is a testament to the commitment of staff that the Corporation celebrates long service. With low turnover, there is the benefit of maintaining institutional knowledge and opportunity to invest in those who invest their time, skills and competence in organizational growth.

Long Service Awardees 10 years:

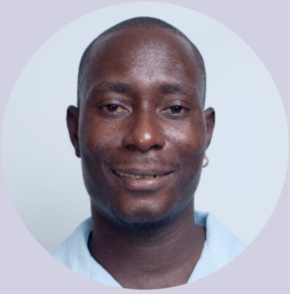


Roger Martindale
Manager,
Technical Operations

Mechelle Smith
Manager,
Human Resources and Administration

Long Service Awardees 15 years:

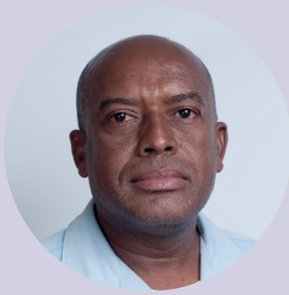
Karen Bynoe
Marketing and Sales Representative



Roger Moore
Driller

Sophia Williams
Accounts Clerk
- Inventory

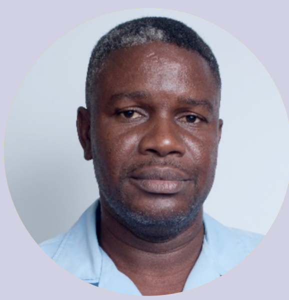
Long Service Awardees 20 years:



Selwyn Delaney
Heavy Duty Driver/Team Leader

Roger Greene
Junior Draughtsman

Anderson Jones
General Worker



Seibert Jordan
Painter

Adrian Parris
Driver

Karen Pilgrim
Asst. Accountant, Costs and Budgets

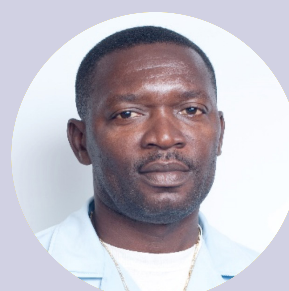
Long Service Awardees 25 years:

Jacqueline Padmore
Receptionist

Long Service Awardees 30 years:

Francine Forde
Human Resources Officer

Long Service Awardees 35 years:



Delroy Walrond
General Worker

APPENDICES

Appendix I

Summary of Mains Laid April 1, 2018 to March 31, 2019

New Mains

	Size of Main/Distance in Feet					
	1 1/4" H.P P.E	2" H.P P.E	6" H.P P.E	2" H.P STEEL	3" H.P STEEL	4" H.P STEEL
St Michael		1294				
St Philip						
Christ Church	271.5					

Relocation or Replacement

	Size of Main/Distance in Feet					
	1 1/4" H.P P.E	2" H.P P.E	6" H.P P.E	2" H.P STEEL	3" H.P STEEL	4" H.P STEEL
St Michael			306			
St Philip				21.83	33	386.33

Summary of Mains Laid

	Size of Main/Distance		
	2" H.P STEEL	3" H.P STEEL	4" H.P STEEL
	Miles	Kilometres	Linear Feet
New Mains	0.3	0.48	1565.5
Relocation/ Replacement	0.14	0.22	747.16
Total Mains Laid	0.44	0.7	2312.66

Appendix II

Distribution of Income for Years 2010/11 to 2019/20

All figures are expressed in thousands, unless otherwise indicated.

Year	*Income from all sources		Operating Expenses: Transmission, Distribution, Administration and Commercial		Operating Expenses: Purchase of Gas		Operating Expenses: Depreciation		Interest Charges		Corporation Tax Credit/(Charge)		Net (Loss)/Income Before Share of Profit/(Loss) of Associated Co. (BNOCL)		Share of Profit/(Loss) of Associated Co. (BNOCL)	Total Comprehensive Income/(Loss) for the year
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	$
2020	21,878,972	100.00	11,004,175	50.30	12,936,272	59.13	2,905,829	13.28	212,907	0.97	0	0.00	-5,180,211	-23.68	2,385,855	2,491,441
2019	21,648,936	100.00	11,014,530	50.88	10,697,331	49.41	2,360,513	10.90	112,915	0.52	0	0.00	-2,536,353	-11.72	-1,055,986	-5,857,746
2018	22,950,899	100.00	9,546,306	41.59	10,862,770	47.33	2,197,573	9.58	238,664	1.04	0	0.00	105,586	0.46	-2,418,032	-2,094,352
2017	15,164,553	100.00	9,009,531	59.41	8,427,971	55.58	2,177,765	14.36	351,046	2.31	0	0.00	-4,801,760	-31.66	-799,590	-3,863,128
2016	16,657,355	100.00	9,848,245	59.12	3,749,813	22.51	2,251,603	13.52	484,014	2.91	0	0.00	323,680	1.94	7,265,646	8,912,315
2015	17,447,911	100.00	11,569,636	66.31	3,720,533	21.32	2,236,856	12.82	550,443	3.15	2,433,981	13.95	-3,063,538	-17.56	6,938,300	7,991,210
2014	17,131,763	100.00	8,709,018	50.84	3,826,590	22.34	2,193,455	12.80	569,110	3.32	186,921	1.09	1,646,669	9.61	13,178,056	13,503,057
2013	15,923,765	100.00	8,374,265	52.59	3,763,283	23.63	2,092,923	13.14	481,688	3.02	158,696	1.00	1,052,910	6.61	11,041,102	10,837,369
2012	15,468,266	100.00	8,863,114	57.30	3,699,675	23.92	2,071,862	13.39	508,114	3.28	500	0.00	325,001	2.10	0	1,724,585
2011	17,975,843	100.00	8,915,103	49.59	3,604,777	20.05	2,096,013	11.66	609,100	3.39	2,954,583	16.44	-203,733	-1.13	0	-2,922,203

** Gross of discounts and allowances*

NATIONAL PETROLEUM CORPORATION

Audited Financial Statements

March 31, 2019

(expressed in Barbados dollars)

pwc

Independent auditor's report

To the Board of Directors

Our qualified opinion

In our opinion, except for the possible effect of the matters described in the basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the financial position of National Petroleum Corporation (the Corporation) as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of changes in equity for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

As discussed in Note 2(a), the Corporation has not implemented IFRS 9 - Financial Instruments. In these financial statements the allowance for doubtful accounts is accounted for on the incurred loss model basis as opposed to the expected credit loss model as recommended by IFRS 9. The effects on the financial statements of the failure to implement IFRS 9 has not been determined. As a result, we are unable to determine whether any adjustments are required to accounts receivable on the statement of financial position, general, administrative and commercial expenses on the statement of comprehensive income and the relevant disclosures in accompanying notes to the financial statements.

Included in investment in associated company on the statement of financial position and share of profit of associated company on the statement of comprehensive income are amounts of $32,964,442 and $902,076 respectively in relation to the Corporation's interest in Barbados National Oil Company Limited (BNOCL). The BNOCL 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, the associated company's auditor was 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 and prior year.

In addition, BNOCL reassessed its abandonment costs during the year. However the associated company's management did not update the provision for abandonment as recorded on the 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 expense would have decreased by $1,897,580 in the current year. In addition, BNOCL has not measured its provision for abandonment based on the present value of the expected future cash flows.

This is not in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. As such the associated company's auditor was 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 consolidated statement of comprehensive income and consolidated statement of cash flows for the current and prior year. As a result, we are unable to determine whether any adjustments are required to investment in associated company on the statement of financial position and share of profit of associated company on the statement of comprehensive income for the current 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 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 Corporation 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 Annual Report for the year ended March 31, 2019 (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the auditor's report date.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Board of Directors, as a body, in accordance with the National Petroleum Corporation Act, Cap 280 Section 16. Our audit work has been undertaken so that we might state to the Board of Directors 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 Corporation and the Board of Directors as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
August 7, 2020

National Petroleum Corporation

Statement of Financial Position

As of March 31, 2019

(expressed in Barbados dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash on hand and at bank (note 4)	**4,271,657**	6,489,130
Accounts receivable (note 5)	**3,036,960**	16,121,797
Corporation tax recoverable	**–**	13,458
Inventories (note 6)	**908,757**	879,743
Due from associated company (note 11)	**826,430**	3,641,091
Prepaid expenses	**46,082**	65,751
	9,089,886	27,210,970
Property, plant and equipment (note 7)	**33,777,255**	33,876,617
Investment in associated company (note 8)	**32,964,442**	19,159,147
Deferred expenses (note 9)	**–**	7,500
Due from associated company (note 11)	**1,140,413**	–
Total assets	**76,971,996**	80,254,234
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	**4,032,643**	4,188,121
Due to related company (note 11)	**1,102,399**	25,400,346
Current portion of borrowings (note 12)	**225,855**	1,652,674
Progress payments received (note 13)	**58,714**	55,960
	5,419,611	31,297,101
Borrowings (note 12)	**3,642,039**	225,855
Deferred lease premium (note 14)	**360,303**	390,303
Deferred credit (note 15)	**1,404,820**	1,493,985
Pension plan liability (note 16)	**3,350,108**	1,537,188
Capital grants (note 17)	**2,852,372**	2,961,218
Total liabilities	**17,029,253**	37,905,650
Equity		
Capital contributed by Government of Barbados (note 18)	**10,407,157**	10,407,157
Retained earnings	**49,535,586**	31,941,427
	59,942,743	42,348,584
Total liabilities and equity	**76,971,996**	80,254,234

Approved by the Board of Directors on July 29, 2020

_______________ Director _______________ Director

National Petroleum Corporation

Statement of Changes in Equity

For the year ended March 31, 2019

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados $	Retained earnings $	Total $
Balance at March 31, 2017	10,407,157	29,449,986	39,857,143
Comprehensive income for the year			
Net income for the year	–	2,645,707	2,645,707
Other comprehensive loss	–	(154,266)	(154,266)
Total comprehensive income for the year	–	2,491,441	2,491,441
Balance at March 31, 2018	10,407,157	31,941,427	42,348,584
Comprehensive loss for the year			
Net income for the year	–	1,499,599	1,499,599
Other comprehensive loss	–	(3,133,876)	(3,133,876)
Total comprehensive loss for the year	–	(1,634,277)	(1,634,277)
Write off of intragovernmental debt (note 29)	–	19,228,436	19,228,436
Balance at March 31, 2019	**10,407,157**	**49,535,586**	**59,942,743**

National Petroleum Corporation

Statement of Comprehensive Income

For the year ended March 31, 2019

(expressed in Barbados dollars)

	2019 $	2018 $
Sales		
Natural gas	**24,185,810**	22,470,478
Operating expenses		
Production, transmission and distribution (note 19)	**12,707,796**	12,689,674
General, administrative and commercial	**9,004,065**	7,719,402
Depreciation (notes 7 and 24)	**2,360,513**	2,197,573
	24,072,374	22,606,649
	113,436	(136,171)
Other income (note 20)	**597,002**	634,687
Operating profit	**710,438**	498,516
Interest and other loan expenses (note 12)	**(112,915)**	(238,664)
Net income for the year before share of profit of associated company	**597,523**	259,852
Share of profit of associated company (note 8)	**902,076**	2,385,855
Net income for the year	**1,499,599**	2,645,707
Other comprehensive loss:		
Items that will not be reclassified to income:		
Remeasurements of defined employee benefits	**(3,039,399)**	(331,427)
Share of other comprehensive (loss)/income of associated company (note 8)	**(94,477)**	177,161
Other comprehensive loss for the year	**(3,133,876)**	(154,266)
Total comprehensive (loss)/income for the year	**(1,634,277)**	2,491,441

National Petroleum Corporation

Statement of Cash Flows

March 31, 2019

(expressed in Barbados dollars)

	2019 $	2018 $
Cash flows from operating activities		
Net income for the year	**1,499,599**	2,645,707
Adjustments for:		
Depreciation	**2,360,513**	2,197,573
Amortisation of deferred expenses	**7,500**	9,000
Amortisation of lease premium	**(30,000)**	(30,000)
Amortisation of deferred credit	**(90,565)**	(123,383)
Amortisation of capital grant	**(108,846)**	(108,846)
Interest and other loan expenses	**112,915**	238,664
Interest income	**(627)**	(976)
Pension expense	**393,736**	421,512
Project income	**(9,615)**	–
Share of profit of associated company	**(902,076)**	(2,385,855)
IADB loan expenses	**829,397**	–
Gain on disposal of property, plant and equipment	**(7,549)**	(26,013)
Operating profit before working capital changes	**4,054,382**	2,837,383
Decrease/(increase) in accounts receivable	**87,141**	(24,940)
Increase in inventories	**(29,014)**	(4,752)
Increase in amount due from associated company	**((968,204)**	(554,952)
Decrease/(increase) in prepaid expenses	**19,669**	(7,535)
Decrease in accounts payable and accrued liabilities	**(155,478)**	(2,291,913)
(Decrease)/increase in amount due to related company	**(504,632)**	8,892,808
Cash generated from operations	**2,503,864**	8,846,099
Interest and other loan expenses paid	**(112,915)**	(238,664)
Pension contributions paid	**(1,620,215)**	(1,370,951)
Progress payments received	**13,769**	–
Net cash generated from operating activities	**784,503**	7,236,484
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(1,470,067)**	(2,002,619)
Proceeds from disposals of property, plant and equipment	**120,138**	111,131
Interest income received	**627**	976
Net cash used in investing activities	**(1,349,302)**	(1,890,512)
Cash flows used in financing activities		
Repayments of borrowings	**(1,652,674)**	(1,830,209)

National Petroleum Corporation

Statement of Cash Flows

March 31, 2019

(expressed in Barbados dollars)

	2019 $	2018 $
(Decrease)/increase in cash and cash equivalents	**(2,217,473)**	3,515,763
Cash and cash equivalents - beginning of year	**6,489,130**	2,973,367
Cash and cash equivalents - end of year	**4,271,657**	6,489,130

In the current year, additions to property, plant and equipment of $903,673 and $768,556 of balances due from associated companies have been excluded from the statement of cash flows as there were no cash outlays. In addition, $3,642,039 in borrowings have been excluded from the statement of cash flows as there was no cash received. Please refer to note 29 for intra-governmental debts written off that were also excluded from the statement of cash flows.

(expressed in Barbados dollars)

1 Establishment, principal activity and registered office

The National Petroleum Corporation was established by Act of Parliament in 1979. The principal activity of the Corporation is the supply of natural gas to industrial, commercial and domestic customers.

The registered office of the Corporation is located at Wildey, St. Michael.

2 Significant accounting policies

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

a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) except for the non-adoption of IFRS 9 - Financial Instruments and are prepared under the historical cost convention except as modified by the valuation of land at Wildey at acquisition as disclosed in Note 2(d).

The preparation of 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 Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

i) New standards, amendments and interpretations to existing standards effective in the 2019 financial year

The following new standards and amendment to published standards are applicable to the financial year.

IFRS 9 'Financial instruments' (effective 1 January 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. The Corporation has not implemented this standard as at April 1, 2018.

IFRS 15 'Revenue from contracts with customers' (effective January 1, 2018). IFRS15, '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).

(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 Corporation

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).

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 Corporation's operations. The Corporation has not early adopted the new standards, amendments and interpretations nor has the Corporation 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).

(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*

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).

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) Accounts receivable

Receivables are recognised initially at fair value and subsequently remeasured at the anticipated realisable value. A provision for impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision is recognised in the statement of comprehensive income within general, administrative and commercial expenses.

c) Inventories

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on an average cost basis. Provision is made for obsolete and slow-moving inventories.

(expressed in Barbados dollars)

2 Significant accounting policies *...continued*

d) Property, plant and equipment

Property, plant and equipment other than land at Wildey are stated at historical cost less accumulated depreciation. The land at Wildey is shown at a valuation determined at the time the land was granted to the Corporation by the Government of Barbados. 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 Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is calculated on property, plant and equipment on the straight line basis so as to allocate the cost of the assets concerned over their estimated useful lives. The principal rates used for this purpose are:

Buildings	-	33 years
Gas wells, pipelines, production and transmission equipment	-	40 years
Distribution plant and equipment	-	10 to 40 years
Moveable equipment and furniture:		
- Tools	-	10 years
- Office equipment, furniture and fittings	-	8 to 10 years
- Motor vehicles	-	5 years
- Communications and computer equipment	-	3 to 5 years

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.

Any gain or loss on disposal included in the statement of comprehensive income is determined by comparing proceeds to the asset's carrying value at the time of disposal.

Interest charged on loans obtained for capital expenditure projects is capitalised.

Costs incurred which are directly attributable to capital projects are categorised as construction in progress and capitalised. If it is determined that capitalised costs are no longer justifiable, the related costs are written off.

(expressed in Barbados dollars)

2 Significant accounting policies *...continued*

e) 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. If not they are presented as non-current liabilities. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

f) Investment in associated company

The investment in Barbados National Oil Company Limited (BNOCL), an associated company, is accounted for on the equity method of accounting whereby the Corporation's share of BNOCL's net income or loss is included in the Corporation's statement of income and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Corporation's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Corporation does not recognise further losses unless it has incurred obligations or made payments on behalf of the associated company.

g) Grants and deferred credits

Grants related to assets, including non-monetary grants at fair value, are capitalised and presented in the balance sheet as deferred grants. These grants are amortised over the expected useful lives of the related assets.

Revenue grants received are recognised in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate.

Payments received towards capital projects are recorded in progress payments received. The Corporation uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in respect of projects undertaken for third parties in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. When based on the stage of completion it is considered appropriate to recognise income on the project, the costs to date are transferred to deferred credits. Deferred credits are amortised over the same period as the capital costs to which they relate.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

(expressed in Barbados dollars)

2 Significant accounting policies *...continued*

h) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Corporation follows the liability method of accounting for deferred taxes whereby all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are provided for at the corporation tax rate that is expected to apply when the deferred tax asset is realised or liability settled. Deferred tax assets are only recognised when it is probable that taxable income will be available against which the assets may be utilised.

i) Provisions

Provisions are recognised when the Corporation has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

j) 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

k) Pension plan valuation

The Corporation operates a non-contributory defined benefit pension plan.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary 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 high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

l) Revenue recognition

Sales are recognised upon delivery of service to customers.

Sales of natural gas are shown net of discounts and allowances given to customers.

(expressed in Barbados dollars)

2 Significant accounting policies *…continued*

m) Foreign currency translation

The financial statements are presented in Barbados dollars, which is also the Corporation's functional currency.

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

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, bank overdraft, short term loans and term deposits with original maturities of ninety days or less.

3 Critical accounting estimates and judgements

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on reported assets, liabilities, revenue and expenses. The Corporation is not required to make significant estimates in its preparation of the financial statements.

4 Cash resources

	2019 $	2018 $
Cash on hand and at bank:		
Petty cash	**691**	546
Current accounts	**1,550,000**	1,200,000
Savings account	**2,720,966**	5,288,584
	4,271,657	6,489,130

Significant concentrations of cash resources are as follows:

	2019 $	2018 $
Republic Bank (Barbados) Limited	**3,461,750**	5,243,960

(expressed in Barbados dollars)

5 Accounts receivable

	2019 $	2018 $
Trade receivables:		
Customers	**3,238,067**	3,125,746
Servicing	**317,260**	546,605
	3,555,327	3,672,351
Less: Provision for impairment of receivables	**(782,672)**	(890,215)
Trade receivables - net	**2,772,655**	2,782,136
Other receivables	**264,305**	341,965
Dividends receivable (note 8)	**–**	12,997,696
	3,036,960	16,121,797

As at year end, trade receivables of $1,972,687 (2018 - $1,933,330) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of $799,968 (2018 - $848,806) were past due but not impaired. These relate to customers for whom there is no history of default. The ageing analysis of receivables is as follows:

	2019 $	2018 $
30 to 60 days	**727,573**	721,491
Over 90 days	**72,395**	127,315
	799,968	848,806

(expressed in Barbados dollars)

5 Accounts receivable *...continued*

The movement in the provision for impairment of receivables is as follows:

	2019 $	2018 $
Balance - beginning of year	**890,215**	1,231,313
Reversal of provision no longer required	**(107,543)**	(341,098)
Balance - end of year	**782,672**	890,215

Direct write off to the statement of comprehensive income in respect of impaired receivables were $157,758 (2018 - $217,695).

No provision for impairment was required in respect of other receivables.

The carrying value of accounts receivable is considered to approximate fair value because of its short-term maturity.

The maximum exposure to credit risk on receivables is the carrying value disclosed above. The Corporation does not hold any collateral security on these receivables.

6 Inventories

	2019 $	2018 $
Materials and supplies	**1,112,940**	1,088,494
Provision for obsolescence	**(231,728)**	(231,728)
	881,212	856,766
Gas	**27,545**	22,977
	908,757	879,743

(expressed in Barbados dollars)

7 Property, plant and equipment

	Land and buildings $	Construction in progress $	Gas wells, pipelines, production and transmission equipment $	Distribution, plant and equipment $	Moveable equipment $	Total $
At March 31, 2017						
Cost or valuation	5,511,322	2,626,501	8,940,678	77,706,818	6,689,889	101,475,208
Accumulated depreciation	(5,287,059)	–	(8,060,343)	(44,975,801)	(5,909,176)	(64,232,379)
Net book amount	224,263	2,626,501	880,335	32,731,017	780,713	37,242,829
Year ended March 31, 2018						
Opening net book amount	224,263	2,626,501	880,335	32,731,017	780,713	37,242,829
Additions	19,606	459,638	11,316	1,202,375	309,684	2,002,619
Disposals	–	(3,086,139)	–	–	(156,549)	(3,242,688)
Depreciation on disposals	–	–	–	–	71,430	71,430
Depreciation charge	(2,426)	–	(54,553)	(1,971,220)	(169,374)	(2,197,573)
Closing net book amount	241,443	–	837,098	31,962,172	835,904	33,876,617
At March 31, 2018						
Cost or valuation	5,530,928	–	8,951,994	78,909,193	6,843,024	100,235,139
Accumulated depreciation	(5,289,485)	–	(8,114,896)	(46,947,021)	(6,007,120)	(66,358,522)
Net book amount	241,443	–	837,098	31,962,172	835,904	33,876,617

(expressed in Barbados dollars)

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

	Land and buildings $	Construction in progress $	Gas wells, pipelines, production and transmission equipment $	Distribution, plant and equipment $	Moveable equipment $	Total $
Year ended March 31, 2019						
Opening net book amount	241,443	–	837,098	31,962,172	835,904	33,876,617
Additions	4,745	–	346,933	374,552	743,837	1,470,067
Additions from NPC Project Execution Unit	–	–	–	320,969	582,704	903,673
Disposals	–	–	–	(112,589)	–	(112,589)
Depreciation charge	(980)	–	(57,549)	(1,999,192)	(302,792)	(2,360,513)
Closing net book amount	**245,208**	**–**	**1,126,482**	**30,545,912**	**1,859,653**	**33,777,255**
At March 31, 2019						
Cost or valuation	5,535,673	–	9,298,927	79,492,125	8,169,565	102,496,290
Accumulated depreciation	(5,290,465)	–	(8,172,445)	(48,946,213)	(6,309,912)	(68,719,035)
Net book amount	**245,208**	**–**	**1,126,482**	**30,545,912**	**1,859,653**	**33,777,255**

a) Property, plant and equipment other than land at Wildey are stated at historical cost.
b) The land at Wildey, which was granted to the Corporation by the Government of Barbados in 1978, is stated at its estimated value at that time of $218,000. (Note 18).
c) Construction in progress relates to a LNG plant which is being constructed at Barbados National Oil Company Limited (BNOCL), Woodbourne, St. Philip. The LNG plant was sold to BNOCL during the year (note 11).

(expressed in Barbados dollars)

8 Investment in associated company

The Corporation owns 20,117 common shares or a 24.5% interest in Barbados National Oil Company Limited (BNOCL).

	2019 $	2018 $
Balance - beginning of year	**19,159,147**	16,596,131
Share of profit for the year	**902,076**	2,385,855
Share of other comprehensive (loss)/income for the year	**(94,477)**	177,161
Write-back of dividend (i)	**12,997,696**	–
Balance - end of year	**32,964,442**	19,159,147

The Corporation's share of the results of its associate and its share of the net assets are as follows:

	Assets $	Liabilities $	Revenue $	Profit/ (loss) $
2019	**73,891,052**	**40,199,738**	**118,848,657**	**902,075**
2018	96,155,767	76,996,620	102,877,094	2,385,855

(i) At a meeting of the Board of Directors of the Barbados National Oil Company Limited held on November 12, 2018, it was agreed that the dividend of $53,000,000 previously declared on March 29, 2015 would be withdrawn.

(expressed in Barbados dollars)

9 Deferred expenses

	$
At March 31, 2017	
Cost	108,000
Accumulated amortisation	(91,500)
Net book amount	16,500
Year ended March 31, 2018	
Opening net balance	16,500
Amortisation	(9,000)
Closing net balance	7,500
At March 31, 2018	
Cost	108,000
Accumulated amortisation	(100,500)
Net book amount	7,500
Year ended March 31, 2019	
Opening net balance	7,500
Amortisation	(7,500)
Closing net balance	–
At March 31, 2019	
Cost	108,000
Accumulated amortisation	(108,000)
Net book amount	–

Commitment fees and stamp duties of $108,000 in respect of the $14.4M Bank of Nova Scotia loan are being amortised over the twelve year repayment period of the loan.

(expressed in Barbados dollars)

10 Accounts payable and accrued liabilities

	2019 $	2018 $
Customer deposits	**2,544,787**	2,220,365
Trade payables	**422,360**	864,288
Payroll deductions and costs	**211,745**	186,476
Other payables	**–**	88,773
Accrued expenses	**853,751**	828,219
	4,032,643	4,188,121

11 Related party balances

Due from:

	2019 $	2018 $
Current:		
Barbados National Oil Company Limited (i)	**57,874**	2,915,902
National Petroleum Corporation Project Execution Unit (ii)	**768,556**	725,189
	826,430	3,641,091
Non-current:		
Barbados National Oil Company Limited (i)	**1,140,413**	–

i) The amounts due from Barbados National Oil Company Limited relate to the sale of a LNG Plant, long-term repayments due to the IADB and other recharges. These balances are unsecured and bear no interest.

ii) The amount due from National Petroleum Corporation Project Execution Unit (PEU) arises from the payment of salaries on behalf of the PEU and is unsecured and bears no interest.

Due to:

	2019 $	2018 $
Barbados National Oilfield Services Limited	**1,102,399**	25,400,346

The balance due to Barbados National Oilfield Services Limited arose in respect of the purchase of gas in the normal course of business. It is interest free, unsecured and is normally payable within 30 days of the invoice date. Gas purchases from the related company are disclosed in note 26.

(expressed in Barbados dollars)

12 Borrowings

		2019 $	2018 $
i)	National Insurance Scheme $3M loan	**225,855**	778,529
ii)	Bank of Nova Scotia $14.4M loan	**–**	1,100,000
iii)	Inter-American Development Bank USD$34M loan	**3,642,039**	–
		3,867,894	1,878,529
	Current portion	**(225,855)**	(1,652,674)
	Long-term portion	**3,642,039**	225,855

		2019 $	2018 $
i)	National Insurance Scheme $3M loan - total balance	**225,855**	778,529
	Less instalments due within twelve months and shown under current liabilities	**(225,855)**	(552,674)
	Long-term portion	**–**	225,855

The loan is repayable in quarterly instalments of blended principal and interest of $176,140. The loan bears interest at 6.325% (2018 - 6.325%) per annum.

The NIS loan is secured by a letter of comfort from the Government of Barbados.

		2019 $	2018 $
ii)	Bank of Nova Scotia $14.4M loan - total balance	**–**	1,100,000
	Less instalments due within twelve months and shown under current liabilities	**–**	(1,100,000)
	Long-term portion	**–**	–

The loan was repayable in monthly instalments of $100,000. The loan bore interest at 8% (2018 - 8%) per annum.

The BNS loan is secured by a guarantee from the Government of Barbados.

(expressed in Barbados dollars)

12 Borrowings*...continued*

	2019 $	2018 $
iii) Inter-American Development Bank USD$34M loan - total balance	**3,642,039**	–
Less instalments due within twelve months and shown under current liabilities	**–**	–
Long-term portion	**3,642,039**	–

On June 14, 2017, the Government of Barbados entered into loan contract no. 3843/OC-BA with the Inter-American Development Bank for a project entitled "Deployment of Cleaner Fuels and Renewable Energies in Barbados" in the amount of USD$34 million. Subsequent to this on January 8, 2019, the Government of Barbados entered into an on-lending agreement with the National Petroleum Corporation to execute the project. Subsequently, the National Petroleum Corporation (NPC) and Barbados National Oil Company Limited (BNOC) entered into an institutional cooperation framework agreement which identified components of the project in favour of BNOCL and the commitments of each party. NPC and BNOCL then entered into a repayment agreement to determine the allocation of funds between each entity. The project commenced June 14, 2017 and the disbursement period is scheduled to be completed six years from the effective date of the loan contract. The loan shall be repaid semi-annually, with the first installment due from the Borrower seventy-eight (78) months after the effective date of the loan contract and the last installment paid no later than the final amortisation date which is twenty-four (24) years from the effective date of the loan contract.

13 Progress payments received

Payments received in respect of capital projects were as follows:

	2019 $	2018 $
Balance - beginning of year	**55,960**	55,960
Additions	**13,769**	–
Taken to income	**(9,615)**	–
Transfer to deferred credit (note 16)	**(1,400)**	–
Balance - end of year	**58,714**	55,960

(expressed in Barbados dollars)

14 Deferred lease premium

The Corporation has leased part of its premises at Wildey to the Barbados National Bank (now Republic Bank (Barbados) Limited) for a period of 50 years, in return for a premium of $1.5 million and an annual rent of $50. The lease premium is being brought into income in fifty equal, annual instalments over the period of the lease which expires in 2031.

	$
At March 31, 2017	
Deferred lease premium	1,500,303
Accumulated amortisation	(1,080,000)
Net book amount	420,303
Year ended March 31, 2018	
Opening net balance	420,303
Amortisation (note 19)	(30,000)
Closing net balance	390,303
At March 31, 2018	
Deferred lease premium	1,500,303
Accumulated amortisation	(1,110,000)
Net book amount	390,303
Year ended March 31, 2019	
Opening net balance	390,303
Amortisation (note 19)	(30,000)
Closing net balance	**360,303**
At March 31, 2019	
Deferred lease premium	1,500,303
Accumulated amortisation	(1,140,000)
Net book amount	**360,303**

(expressed in Barbados dollars)

15 Deferred credit

The Corporation relocated transmission and distribution lines along Foursquare, St. Philip to Searles, Christ Church. The cost of the mains has been capitalised and the monies received from the Ministry of Public Works and Transport for this purpose have been deferred. These amounts are being amortised over the same period as the capital costs to which they relate.

The cost of mains capitalised in connection with the Bridgetown Roads and Safety Improvement Project, which was funded by the Ministry of Public Works and Transport, the costs of extensions in connection with the Fort George Stage II project which was funded by Sagicor Life Inc., the costs to relocate gas mains and installations from St. Lawrence Gap to Dover playing field, which was financed by the Barbados Tourism Investment Inc., the costs of work done at Six Roads which was financed by Eastern Land Development and the costs of work done at Dodds, St. Philip for the new prison which was funded by the Ministry of Home Affairs have been deferred. These amounts are being amortised over the same period as the capital costs to which they relate.

The costs of installation of gas mains and connections at Emerald Park which was funded by Eastern Land Development and the costs of extensions in relation to Fort George Heights Stage IV which was funded by Sagicor Life Inc. have been deferred. These amounts are being amortised over the same period as the capital costs to which they relate.

The costs of mains completed to date at Adams Castle, Country Towers and the Villages at Coverley which were funded by the relevant developers have been deferred. These amounts are being amortised over the same period as the capital costs to which they relate.

The cost of mains installations at Prince Gap, Clermont Plains, Pine Gardens, the Vineyard and Lears which were funded by the relevant developers have been deferred and are being amortized over the same period as the capital costs to which they relate.

	2019	**2018**
	$	**$**
Balance - beginning of year	**1,493,985**	1,617,368
Amortisation (note 20)	**(90,565)**	(123,383)
Additions (note 13)	**1,400**	–
Balance - end of year	**1,404,820**	1,493,985

(expressed in Barbados dollars)

16 Pension plan

The Corporation's non-contributory defined benefit pension plan is established under an irrevocable trust. The assets are invested in an independently administered deposit administration policy comprising treasury notes and debentures, term deposits and loans.

The plan is integrated with the National Insurance Scheme (NIS) and will provide a member retiring after 33⅓% years of pensionable services with a pension of two thirds of their final three years average annual pensionable salary when combined with the NIS pension (for members employed prior to September 1, 1975, no deduction is made with respect to the NIS pension).

The triennial valuation of the plan was performed as of April 1, 2016.

	2019 $	2018 $
Present value of funded obligations	**17,957,634**	17,556,074
Fair value of plan assets	**(14,607,526)**	(16,409,286)
Effect of IFRIC 14	**–**	390,400
Net liability at end of year	**3,350,108**	1,537,188

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

	2019 $	2018 $
Present value of funded obligations, beginning of year	**17,556,074**	17,216,691
Current service cost	**345,361**	354,526
Interest cost	**1,325,570**	1,291,791
Employee contributions	**1,800**	1,800
Benefits paid	**(1,251,071)**	(1,453,146)
Remeasurements:		
Experience losses	**(20,100)**	144,412
Present value of funded obligations, end of year	**17,957,634**	17,556,074

(expressed in Barbados dollars)

16 Pension plan *...continued*

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

	2019 $	2018 $
Fair value of plan assets - beginning of year	**16,409,286**	15,964,147
Employer contributions paid	**1,620,215**	1,370,952
Employee contributions	**1,800**	1,800
Benefits paid	**(1,251,071)**	(1,453,146)
Plan administration expenses	**(8,900)**	(9,300)
Remeasurements:		
Return on plan assets	**(2,163,804)**	534,833
Fair value of plan assets - end of year	**14,607,526**	16,409,286

Movements in the net liability recognised in the balance sheet are as follows:

	2019 $	2018 $
Net liability, beginning of year	**1,537,188**	2,155,201
Net pension expense included in the statement of comprehensive income (note 23)	**393,736**	421,512
Remeasurements included in the statement of other comprehensive income	**3,039,399**	331,427
Contributions paid	**(1,620,215)**	(1,370,952)
Net liability, end of year	**3,350,108**	1,537,188

The amount recognised in the statement of comprehensive income is as follows:

	2019 $	2018 $
Current service cost	**345,361**	354,526
Net interest on the net defined benefit liability	**39,475**	57,686
Plan administration expenses	**8,900**	9,300
Total included in staff costs	**393,736**	421,512

(expressed in Barbados dollars)

16 Pension plan *...continued*

The amount recognised in the statement of other comprehensive income is as follows:

	2019 $	2018 $
Remeasurements:		
Experience losses	**(20,100)**	144,412
Effect of IFRIC 14	**(390,398)**	(512,258)
Return on plan assets excluding amounts included in interest expense	**3,449,897**	699,273
Total included in other comprehensive income	**3,039,399**	331,427

Expected maturity analysis of undiscounted pension benefits:

	Less than a year $M	Between 1-2 years $M	Between 2-5 years $M	Over 5 years $M	Total $M
Pension benefits	1.55	1.87	4.26	6.49	14.17

Principal actuarial assumptions used for accounting purposes were as follows:

	2019	2018
Discount rate at end of year	**7.75%**	7.75%
Future promotional salary increases	**2.00%**	2.00%
Future inflationary salary increases	**3.75%**	3.75%
Future pension increases	**0.75%**	0.75%
Proportion of employees opting for early retirement	**10% of eligible members**	10% of eligible members
Future changes in NIS ceiling	**3.5%**	3.5%
Mortality	**UP 94 at 2018 with Projection Scale AA**	UP 94 at 2017 with Projection Scale AA

(expressed in Barbados dollars)

16 Pension plan *...continued*

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

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption $**	**Decrease in assumption $**
Discount rate	1%	16,280,830	19,995,270
Salary growth rate	0.5%	18,544,764	17,421,020
Life expectancy	1 year	18,724,743	

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

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

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

Changes in deposit administration policy yields

A decrease in the guaranteed interest rate credited to the deposit administration policy will increase plan liabilities.

Life expectancy

The primary obligation of the plan is to provide benefits for the life of the member. As such increases in life expectancy will result in an increase in the plan's liabilities. A sensitivity analysis of changes in life expectancy indicates this risk is not very material.

Expected contributions for the year ending March 31, 2020 are $ 1,495,583. The weighted average duration of the defined plan is 10.34 years.

(expressed in Barbados dollars)

17 Capital grants

	$
Year ended March 31, 2018	
Opening net book amount	3,070,064
Amortisation (note 20)	(108,846)
Closing net book amount	2,961,218
At March 31, 2018	
Cost	3,492,469
Accumulated amortisation	(531,251)
Closing net book amount	2,961,218
Year ended March 31, 2019	
Opening net book amount	2,961,218
Amortisation (note 20)	(108,846)
Closing net book amount	**2,852,372**
At March 31, 2019	
Cost	3,492,469
Accumulated amortisation	(640,097)
Closing net book amount	**2,852,372**

(expressed in Barbados dollars)

18 Capital contributed by Government of Barbados

This is comprised of:

	2019 $	2018 $
Capitalised loans	**950,000**	950,000
Capitalised interest on loans	**1,333,802**	1,333,802
Capitalisation of land granted to the Corporation (note 7)	**218,000**	218,000
Additional capital contributed by Government of Barbados during 1982/83	**20,000**	20,000
Loan principal and interest paid by Government of Barbados net of consideration for shares issued in Barbados National Oil Company Limited to Government of Barbados	**7,885,355**	7,885,355
	10,407,157	10,407,157

19 Production, transmission and distribution costs

	2019 $	2018 $
Production	**10,697,331**	10,862,770
Transmission	**1,242**	4,150
Distribution	**2,201,871**	1,959,408
	12,900,444	12,826,328
Less:		
Reimbursements through jobbing	**(65,897)**	(20,905)
Installation and re-connection fees	**(146,513)**	(139,345)
In house services	**19,762**	23,596
	12,707,796	12,689,674

(expressed in Barbados dollars)

20 Other income

	2019 $	2018 $
Project income	**9,615**	–
Interest	**627**	976
Rental income	**222,078**	222,078
Miscellaneous income	**135,271**	149,404
	367,591	372,458
Amortisation of lease premium (note 14)	**30,000**	30,000
Amortisation of deferred credit (note 15)	**90,565**	123,383
Amortisation of capital grant (note 17)	**108,846**	108,846
	597,002	634,687

21 Taxation

	2019 $	2018 $
Net income for the year	**1,499,599**	2,645,707
Tax calculated at 5.5% (2018 - 30%)	**82,478**	793,712
Tax effect of the following:		
Tax losses expiring not utilised	**–**	258,436
Expenses not deductible for tax purposes	**55,118**	24,078
Tax allowance claimed	**–**	(140,528)
Income not subject to tax	**(55,601)**	(748,855)
Prior year over provision of deferred tax	**(4,730)**	–
Tax effect of reduction in the tax rate	**1,952,053**	–
Movement in deferred tax asset not recognised	**(2,029,318)**	(186,843)
	–	–

ressed in Barbados dollars)

Taxation *...continued*

There is a potential deferred tax asset which has not been recognised due to the uncertainty of the availability of future profits against which to offset it.

The deferred tax asset consists of the following components:

	2019 $	2018 $
Delayed tax depreciation	**9,286,734**	9,532,755
Unutilised tax losses (note 22)	**1,121,804**	1,226,126
Pension plan liability	**3,350,108**	1,537,188
	13,758,646	12,296,069
Deferred tax asset at corporation tax rate of 5.5% (2018 - 30%)	**756,726**	3,688,821

The expiry dates of the tax losses are disclosed in note 22. The other temporary differences have no expiry dates.

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. The legislation to effect the change was enacted as at December 24, 2018.

Tax losses

The following tax losses are available for set off in the future against otherwise taxable income for corporation tax purposes:

Year	Balance b/f $	Incurred $	Adjustments $	Balance c/f $	Expiry date
2015	352,633	–	–	352,633	2022
2017	873,493	–	(104,371)	769,122	2024
2019	–	49	–	49	2026
	1,226,126	49	(104,371)	1,121,804	

The above tax losses are as computed by the Corporation in its tax returns and have as yet neither been agreed nor disputed by the Barbados Revenue Authority.

(expressed in Barbados dollars)

23 Staff costs

Staff costs comprise the following:

	2019 $	2018 $
Salaries, wages and National Insurance	**5,416,624**	5,396,748
Retro-active pay	**324,555**	–
Pension expense (note 16)	**393,736**	421,512
	6,134,915	5,818,260
The number of persons employed at year end was as follows	**109**	105

24 Expenses by nature

	2019 $	2018 $
Depreciation	**2,360,513**	2,197,573
Gas purchased (note 26)	**10,697,331**	10,862,770
Impairment of receivables	**157,758**	(123,403)
Insurance	**386,611**	386,642
Internal in-house services expense (net)	**19,762**	23,596
Land tax	**81,025**	81,025
Legal fees	**4,995**	2,400
Maintenance	**1,139,331**	1,110,703
Meter reading, accounting and collection	**156,945**	205,866
Pensions expense	**393,736**	421,512
Gratuities	**(69,927)**	163,521
Rent	**1,542**	1,542
Salaries, wages and National Insurance	**5,416,624**	5,396,748
Retro-active pay	**324,555**	–
Special services	**232,682**	186,604
Supplies	**576,654**	472,584
Security expenses	**136,457**	129,032
Other expenses	**1,022,967**	909,863
Inter-American Development Bank loan expenses	**934,152**	45,211
Travel and utilities	**258,594**	259,769
Uniforms and safety equipment	**52,476**	33,341
	24,284,783	22,766,899
Reimbursements through jobbing	**(65,896)**	(20,905)
Installation and re-connection fees	**(146,513)**	(139,345)
Total operating expenses	**24,072,374**	22,606,649

(expressed in Barbados dollars)

25 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2019/20 of $1,135,000 (2018/19 - $2,065,000). None of this expenditure had been contracted for at that date.

26 Related party transactions

i) The following transactions were carried out with related parties during the year.

	2019 **$**	**2018** **$**
Purchase of gas	**10,697,331**	10,862,770

ii) Key management comprises directors and senior management of the Corporation. Compensation to these individuals was as follows:

	2019 **$**	**2018** **$**
Salaries	**808,040**	829,311
Directors' fees	**31,400**	44,600
Balance - end of year	**839,440**	873,911

(expressed in Barbados dollars)

27 Financial risk management

The Corporation's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. Management of the risk factors focuses on collection of receivables and minimising potential adverse effects on the Corporation's performance.

a) Market risk

i) Foreign exchange risk

The Corporation's transactions in foreign currencies are mainly for purchases of consumable stores and services. These transactions are denominated mainly in United States dollars. Since there is a fixed exchange rate between the Barbados dollar and the United States dollar, management does not consider that there is significant exposure to foreign exchange risk.

ii) Cash flow and fair value interest rate risk

Interest rate risk is the potential adverse impact on the earnings and economic value of the Corporation caused by movements in interest rates.

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

The Corporation's exposure to interest rates and the terms of borrowings are disclosed in notes 4 and 12.

At the reporting date, the interest profile of the Corporation's long-term borrowings was as follows:

	2019	**2018**
	$	**$**
Fixed rate borrowings	**2,117,348**	1,100,000
Variable rate borrowings	**225,855**	778,529
	2,343,203	1,878,529

At year end, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net loss for the year would have been $2,259 (2018 - $7,785) lower or higher.

(expressed in Barbados dollars)

27 Financial risk management *...continued*

b) Credit risk

The Corporation takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Corporation by failing to discharge its obligations.

Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables.

Credit limits are defined for commercial customers. The approval process is undertaken on an individual basis before management provides credit to these customers. For residential customers, the risk is managed by requiring customers to make deposits upon application for a new service in order to cover recoverable costs. The Corporation evaluates the financial institutions with which it places cash and cash equivalents. Only reputable financial institutions with high credit ratings are considered.

The maximum credit risk exposure is as follows:

	2019		**2018**	
	$	**%**	**$**	**%**
Cash on hand and at bank	**4,271,657**	**47**	6,489,130	50
Accounts receivable	**2,772,655**	**31**	2,782,136	28
Due from associated company	**1,966,843**	**22**	3,641,091	22
	9,011,155	**100**	12,912,357	100

(expressed in Barbados dollars)

27 Financial risk management *...continued*

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Corporation's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount $	Contractual cash flows $	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $
2019						
Assets						
Cash on hand and at bank	4,271,657	4,271,657	4,271,657	–	–	–
Accounts receivable	2,772,655	2,772,655	2,772,655	–	–	–
Due from associated company	1,966,843	1,966,843	826,430	–	299,625	840,788
	9,011,155	9,011,155	7,870,742	–	299,625	840,788
Liabilities						
Accounts payable	2,967,146	2,967,146	2,967,146	–	–	–
Due to related company	1,102,399	1,102,399	1,102,399	–	–	–
Borrowings	3,867,894	3,876,892	234,853	–	599,250	3,042,789
	7,937,439	7,946,437	4,304,398	–	599,250	3,042,789
Liquidity gap	1,073,716	1,064,718	3,566,344	–	(299,625)	(2,202,001)

(expressed in Barbados dollars)

27 Financial risk management *...continued*

c) Liquidity risk *....continued*

	Carrying amount $	Contractual cash flows $	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $
2018						
Assets						
Cash on hand and at bank	6,489,130	6,489,130	6,489,130	–	–	–
Accounts receivable	2,782,136	2,782,136	2,782,136	–	–	–
Due from associated company	3,641,091	3,641,091	3,641,091	–	–	–
	12,912,357	12,912,357	12,912,357	–	–	–
Liabilities						
Accounts payable	3,084,653	3,084,653	3,084,653	–	–	–
Due to related company	25,400,346	25,400,346	25,400,346	–	–	–
Borrowings	1,878,529	1,965,990	1,731,137	234,853	–	–
	30,363,528	30,450,989	30,216,136	234,853	–	–
Liquidity gap	(17,451,171)	(17,538,632)	(17,303,779)	(234,853)	–	–

(expressed in Barbados dollars)

27 Financial risk management *...continued*

d) Fair values

Fair value amounts represents 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. The fair value of the Corporation's cash and cash equivalents, accounts receivable and accounts payable are not considered to be materially different from their carrying values, due to the short term nature of these items.

The fair value of the Corporation's borrowings is not considered to be significantly different from their carrying values as the current interest rates on these debts are similar to market rates existing at the balance sheet date.

e) Capital risk management

The Corporation's objectives are to provide returns for the benefit of its stakeholders and to reduce the cost of capital.

28 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:

a) that the National Petroleum Corporation Act, Cap 280 be repealed;
b) that the assets and liabilities and rights and obligations of the National Petroleum Corporation be vested in the new Barbados National Petroleum Products Limited; and
c) 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 Corporation is awaiting communication as to the direction now to be taken.

(expressed in Barbados dollars)

29 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 from associated company	
Barbados National Oil Company Limited	**(4,551,421)**
Due to related company	
Barbados National Oilfield Services Limited	**23,793,315**
Government Institutions	
Barbados Revenue Authority	
i) Corporation tax	**(13,458)**
	19,228,436

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

30 Subsequent events

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which the Corporation and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. As of July 29, 2020 management was not aware of any significant adverse effects on the financial statements for the year ended March 31, 2019 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Corporation.

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