



ANNUAL REPORT & AUDITED STATEMENTS 2020

**ANNUAL
REPORT
2020**

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BARBADOS NATIONAL OIL COMPANY LIMITED

MISSION STATEMENT

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

VISION STATEMENT

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

Corporate Information

Registered Office

Woodbourne, St Philip, Barbados

Shareholders

Government of Barbados
National Petroleum Corporation

Attorneys-At-Law

Mr. Roger C Forde, QC
Mr. Barry Gale, QC
Charles Russell Speechlys

Corporate Secretary

Mr. Ashley Bignall (until July 8, 2019)
Mrs. Donna Harris-Thornhill (from July 8, 2019)

Auditor

PricewaterhouseCoopers SRL

Banker

Republic Bank (Barbados) Limited



Board of Directors – BNOCL

Mr. William McDonald – Chairman
Ms. Lachmi Connell – Deputy Chairman, Representative of the National Petroleum Corporation
Mr. David Straughn
Mr. Jehu Wiltshire, Representative of the Ministry of Energy & Water Resources (until June 21, 2019)
Mr. Jamar White, Representative of the Ministry of Energy & Water Resources (from June 21, 2019)
Ms. Alexandra Daniel
Mrs. Andria Shepherd-Payne
Mrs. Stephanie Catling-Birmingham

Board of Directors – BNOCL

Mrs. Ethnie Bellamy-Weekes, Representative of the Ministry of Finance & Economic Affairs (until November 7, 2019)
Ms. Averill Brathwaite, Representative of the Ministry of Finance & Economic Affairs (from November 7, 2019)
Mr. Kwame Bradshaw (from April 30, 2019)



Board of Directors – BNTCL

Mr. William McDonald – Chairman
Mr. Herbert Yearwood – Deputy Chairman
Mr. Jehu Wiltshire, Representative of the Ministry of Energy & Water Resources (until June 21, 2019)
Mr. Jamar White, Representative of the Ministry of Energy & Water Resources (from June 21, 2019)
Ms. Alexandra Daniel
Mrs. Andria Shepherd-Payne
Mrs. Ethnie Bellamy-Weekes, Representative of the Ministry of Finance & Economic Affairs – (until November 7, 2019)
Ms. Averill Brathwaite, Representative of the Ministry of Finance & Economic Affairs (from November 7, 2019)
Ms. Lasandra Bobb
Dr. Kim Burton
Ms. Lana Trotman
Ms. Jamila Burgess
Ms. Gillian Morris (until September 14, 2020)
Mr. David Staples

Senior Management

Mr. James Browne – Chief Executive Officer

Mr. Ashley Bignall – Chief Financial Officer

Mrs. Joan Hinds-Holder – Finance Manager (until March 11, 2020)

Mr. Ronnie Gittens – Group Human Resources Manager

Mr. Terrance Straughn – Terminal Superintendent

Mr. Wesley Carter – Trading and Marketing Manager

Mr. Pedro Bushelle – Group Information Technology Manager

Mrs. Carolyn Forde-Bryan – Internal Auditor

Mr. Damien Catlyn – Group Health, Safety, Security and Environmental Officer

BNTCL



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



Ms. Lachmi Connell
Deputy Chairman - BNOCL
Representative of NPC



Ms. Alexandra Daniel
BNOCL/BNTCL



Mrs. Andria Shepherd-Payne
BNOCL/BNTCL



Mrs. Stephanie Catling-Birmingham
BNOCL



Mr. David Straughn
BNOCL



Mr. Jehu Wiltshire
BNOCL/BNTCL



Mrs. Ethnie Bellamy-Weekes
BNOCL/BNTCL



Mrs. Averil Brathwaite
BNOCL/BNTCL



**Mr. Herbert Yearwood
BNTCL**



**Ms. Jamila Burgess
BNTCL**



**Mrs. Kim Burton
BNTCL**



**Ms. Lana Trotman
BNTCL**



**Ms. Lasandra Bobb
BNTCL**



**Ms. Gillian Morris
BNTCL**



**Jamar White
BNOCL/BNTCL**



**Mr. David Staples
BNTCL**



**Mr. Kwame Bradshaw
BNOCL**

Message From The Board

Our dedication and commitment have been evident since the inception of Barbados National Oil Company Limited (BNOCL) in 1982. Along with the crude oil production and the supply of locally produced natural gas, the company sources and supplies fossil fuels to several customers over the country at the most competitive pricing. As the country continues on its path as a developed nation, BNOCL has supported all citizenry by facilitating energy needs, providing policy direction, expertise and delivering a safe reliable energy service.

Hence, the emphasis of being transparent in its operations including and not limited to procurement and maintaining the premise that a competitive environment will facilitate best prices and a good quality.

As one of the major players in the fossil fuel market in Barbados, BNOCL has continued to seek to assure the security of supply of gasoline, diesel and fuel oil while maintaining the quality standards as prescribed by international codes and standards.

Continuing after the closure of the Petrotrin refinery, the BNOCL reached out to regional markets and was able to attain best prices at the highest quality.

Of course, the Company continues to explore and produce onshore hydrocarbons in the form of crude oil which we export for foreign exchange and natural gas which we sell to the National Petroleum Corporation (NPC). Additionally, BNOCL in collaboration with the Ministry of Energy and Water Resources (MEWR) and other key government entities, keep their collective pulse and focus on bringing the offshore oil and gas industry to fruition before 2030.

As the Company fully embraced the strategic objective of being a 100% renewable energy country by 2030, the Board and staff sought to restructure the operations to facilitate the organizational changes necessary to be competitive and viable in this new paradigm.

As a consequence of the national focus from being mainly a fossil fuel operation to one that will operate from energy derived from the sun, wind and biofuels, the Company embraced a necessary change of its current brand; i.e. from a provider of fossil fuel to now being an energy company. As part of the path to operational efficiency, BNOCL, Barbados National Terminal Company Limited (BNTCL) and the National Petroleum Corporation sought to explore the benefits of amalgamation, however, this exercise to maximize economies of scale has not yet been completed.

On the way to this new brand, the Company also embraced a focused emphasis on its core principles as well, which states:

- Energy in every home
- Energy for poverty alleviation
- Energy for social enhancement
- Energy for the Nation and Beyond

As BNOCL or the new rebranded entity, moves along its strategic path, the Board and staff will continue to assure the country, that we will continue to work for you and with you to achieve great things in the future.

Corporate Profile

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

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

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

BNOCL'S Operations

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

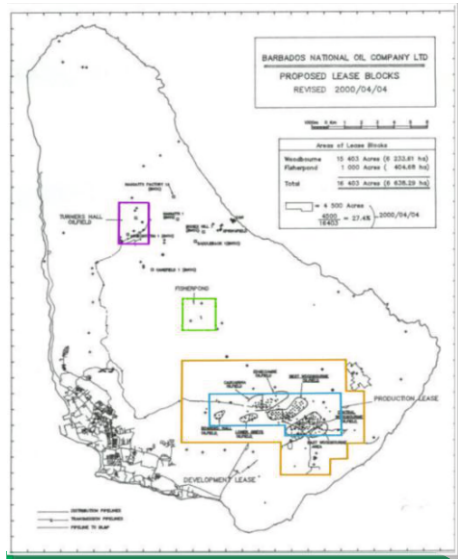


Figure 1: Map of Barbados showing the four locations making up the Mineral Lease.

A number of distinct geological providences in the Woodbourne area; namely Central and West Woodbourne, Lower Greys, Hampton and Edgecumbe are the main production sites of the Company's crude oil. This locally produced crude oil is stored at the Terminal at Fairy Valley, Christ Church for shipment to Petrojam Limited, Jamaica.

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

- **Barbados National Oilfield Services Limited (BNOSL)** was incorporated in 1998 to provide the services of Operator under a Production Sharing Contract (PSC). Subsequent to the conclusion of that PSC in 2004, BNOSL was retained to execute the exploration and production activities on behalf of the parent company.
- **Barbados National Terminal Co Ltd (BNTCL or the Terminal)** was incorporated in 1998 following the closure of the Mobil refinery. Its purpose is to manage the storage and distribution of gasoline, diesel and heavy fuel oil, as well as the storage and exportation of crude oil on behalf of the Group. BNTCL also stores aviation (jet) fuel and kerosene on behalf of the major oil companies. BNTCL, which was constructed in 2004, commenced operations at the temporary Needham's Point Facility in St Michael. It currently operates from its state-of-the-art terminal at Fairy Valley, Christ Church.

Heavy fuel oil is handled at the Esso Terminal at Holborn, St Michael under a long-term lease agreement with Esso Standard Oil S.A.

The decision to use the Holborn Terminal for fuel oil was partially influenced by its proximity to the Barbados Light and Power (BL&P) power generating plant at Spring Garden, which consumes approximately 95% of the imported heavy fuel oil.

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

Corporate Overview

In 2020, the Company sought to embrace the challenges of the transformation from a 100% dependency on fossil fuels to an energy company which incorporates onshore oil and gas exploration and production, the commerciality of refined products and the new venture businesses of the renewable energy (RE) sector.

BNOCL launched several initiatives during the year aimed at expanding its portfolio, improving the company's efficiency and preparing its internal stakeholders for the upcoming changes/challenges that were anticipated.

- **Residential Photovoltaic (PV) Pilot Programme** – This was offered to employees of the BNOCL Group to enable the Company to iron out the kinks in the system before launching to the general public. This also represented the first phase in assisting the Company to enable the Government's vision and goals for Barbados to become a carbon-neutral island state by 2030.
- **Rebranding of BNOCL** - As the Company started in earnest to pursue its new strategic path and diversified energy portfolio, it became evident that there was a disparity between its classification as an oil company and its pursuit of establishing renewable energy projects. BNOCL therefore took the initiative to rebrand the company so that it would accurately reflect the existing role of the organization, as well as the new ventures being undertaken. Consequently, the Company commenced a rebranding exercise in 2019 to create and implement the new brand and to facilitate the cultural refocus required amongst internal stakeholders. This initiative which is about 50% complete was put on hold in the latter part of 2019.
- **Resource Optimization Project** - which was part of BNOCL's strategy to seek operational successes through a series of strategic maneuvers including and not limited to the
 - Increasing revenue streams in the various profit centers and
 - Reduction of individual and overall operational costs.

Management undertook to evaluate the operational landscape by conducting a review, documenting and evaluating the standard operational procedures (SOP's) of all cost and profit centers. In addition to being a precursor to the ISO Quality Management System, the SOP documentation would determine the needs and resource impact throughout the organization.

Consequently, it is anticipated that the results would provide another perspective of the resource needs and gaps within the organization and assist BNOCL in streamlining and improving the various functional areas as well.

Offshore Activity

The BNOCL/Netherland Sewell & Associates Inc (NSAI/MEWR Joint Seismic Interpretation Project continued during this period. The project aimed to assess the offshore hydrocarbon potential in the following areas:

- Identify and regionally map key basins and exploration play fairways offshore Barbados.
- Perform 1-D and 2-D basin modeling.
- Identify and map leads and play concept areas and build a lead inventory.
- Conduct probabilistic volumetric and prospect risk assessments.
- Prepare a comprehensive final report outlining methodology and results.

A Project Team was constituted to develop plans to position and ready BNOCL for the offshore Exploration and Production (E&P) activity/sector. BNOCL therefore maintained its representation on the Offshore Petroleum Committee and the BHP Billiton Environmental Impact Assessment (EIA) Committee.

Onshore Developments

During the year BNOCL launched its Production Enhancement Project which aims to attract investment in a secondary recovery project in the Woodbourne Oilfield.

Human Resources Overview

BNOCL's operation model was positively disrupted as the Company's new mandate was shaped by the revised energy policy which required that the country become carbon neutral by 2030. As a result of this aggressive national objective, BNOCL focused on ensuring that the Company actively pursued this goal. Subsequently, all available resources were mobilised strategically to enable the Company to become a diversified energy company. The Human Resources Department therefore focused its efforts on meeting the organisation's immediate requirements to support this strategic vision. The Company's human resources capital was strengthened as departments were adequately staffed and essential developmental training was delivered to those in need.

Staff Appointments and Changes

During the year, there were a number of changes to the Company's structure when several employees were appointed and promoted

- The Maintenance Department welcomed Ms. Karen Austin, promoted in October 2019 to the post of Maintenance Manager. Ms. Austin was previously employed in the role of Maintenance & Engineering Superintendent at BNTCL.
- Mrs. Donna Harris-Thornhill was hired in July 2019 to fill the newly created post of Corporate Secretary to facilitate the Company's need for stronger organisational compliance at that level.
- The Procurement Department was established and Ms. Paula Gittens was employed as Procurement Officer in May 2019. Additional resources were acquired in February 2020 when Ms. Lyn-Marie Hall joined that department as Procurement Assistant.
- The Audit Department was expanded when Ms. Diandra Garnes was recruited from the Accounts Department to fill the post of Assistant Internal Auditor. This position was created to provide additional resources for the Audit Department to enable it to cope with an increased workload while it ensured compliance with the departmental procedures across the Group of Companies.

- The Health Safety Security and Environment (HSSE) department was increased by two employees:
 - o Mr. Nigel Belle was promoted to the role of Health Safety Security Environment and Quality (HSSEQ) Officer from his previous role of Assistant Operations Supervisor at BNTCL.
 - o Mr. Nigel Graham joined the Company in the role of Health Safety Security and Environment Quality (HSSEQ) Officer in February 2020.
- The Marketing department was also bolstered when Mr. Mark Hill was promoted to the role of Business Development Officer in January 2020. Mr. Hill joined the Company in the Renewable Energy Department as a Renewable Energy Coordinator in June 2019.
- The Company also welcomed Ms. Samantha Hazlewood in February 2020 in the position of Marketing & Public Relations Officer.
- With the growth of the Renewable Energy (RE) department's portfolio, Ms. Lisa Skinner joined in January 2020 in the position of Renewable Energy Technician and Mr. Stuart Bannister in February 2020 in the post of Renewable Energy Coordinator.

Retirees

Two members of staff retired from the Warehouse department during this period - Mr. Darcey Bryan, who retired in December 2019, was a Warehouse Clerk who served in that department for 35 years. Mr. Douglas Hall was a Roustabout in the department, before retiring in February 2020, he served the organization for 25 years.

Mr. Robert Cox, our Maintenance Foreman retired in October 2019. Mr. Cox, whose experience will be greatly missed, joined the Company from its inception in 1983 and was an integral part of the Maintenance Department.

Mr. Grantley Wason joined the Company in 1989 and worked in the Maintenance and Production departments before being promoted to Driver/Operator in 1995, a position he held until his retirement in January 2020.

Corporate Social Responsibility Initiatives

The Group responded to several requests for assistance over this period. As part of BNOCL's corporate social responsibility, the Company provided support for the Oistins Festival, a key national festival. In addition, BNOCL also provided sponsorship for the Myeloma Lymphoma & Leukaemia Foundation of Barbados' World Cancer Day walk that was held in February 2020. The Company invited residents, in the surrounding community to its Annual Fun Day and Health Fair, who took advantage of free health checks and consultations on several health issues.

The Company continued its pledge of support to its adopted school, Gordon Walters Primary School by hosting their annual sports day on its grounds, as well as responded to the request for athletic gear for Graydon Sealy Secondary School by providing a donation towards their efforts.

BNOCL also sponsored the Frank Blackman Zone at the Barbados Secondary Schools' Athletics Championship. The Company is proud of its continued association with the ongoing activity of the Barbados Fire Service's food drive to help those underprivileged persons in the society. Monetary contributions were also disbursed to various organisations that needed assistance during this period.

As at March 31, 2020, the BNOCL Group employed 139 employees. This number was represented by BNOCL - 27 permanent; 4 temporary, BNOSL - 78 permanent and 5 temporary and BNTCL - 22 permanent; 3 temporary.

NEW EMPLOYEES



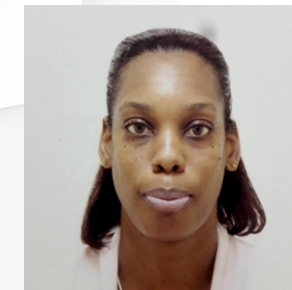
Stuart Bannister
Renewable Energy Coordinator



Paula Gittens
Procurement Officer



Nigel Graham
HSSEQ Officer



Samantha Hazlewood-Erma
Marketing & Public Relations Officer



Lyn-Marie Hall
Procurement Assistant



Donna Harris-Thornhill
Corporate Secretary



Mark Hill
Business Development Officer



Lisa Skinner
Renewable Energy Technician



Darcy Bryan
Warehouse Clerk



Robert Cox
Maintenance Foreman



Grantley Wason
Driver/Operator



Douglas Hall
Roustabout

RETIRES

Technical Operations Overview

Crude Oil Production and Sales

When compared to the previous year, crude oil production decreased in the fiscal year 2019-20 by 2% from 212,708 barrels (bbls) to 209,510bbls. **See Chart 1.** While the percentage change was moderate it reflected the field depletion and need for BNOCL to address this issue via a more aggressive work programme, enhanced recovery or drilling of new wells to prevent the field decline.

Crude oil sales in the fiscal year were 208,987 bbls; 2% lower than the figure for the previous fiscal year, 212,928 bbls. This slight reduction in oil sold is commensurate with the reduction in oil produced during this period.

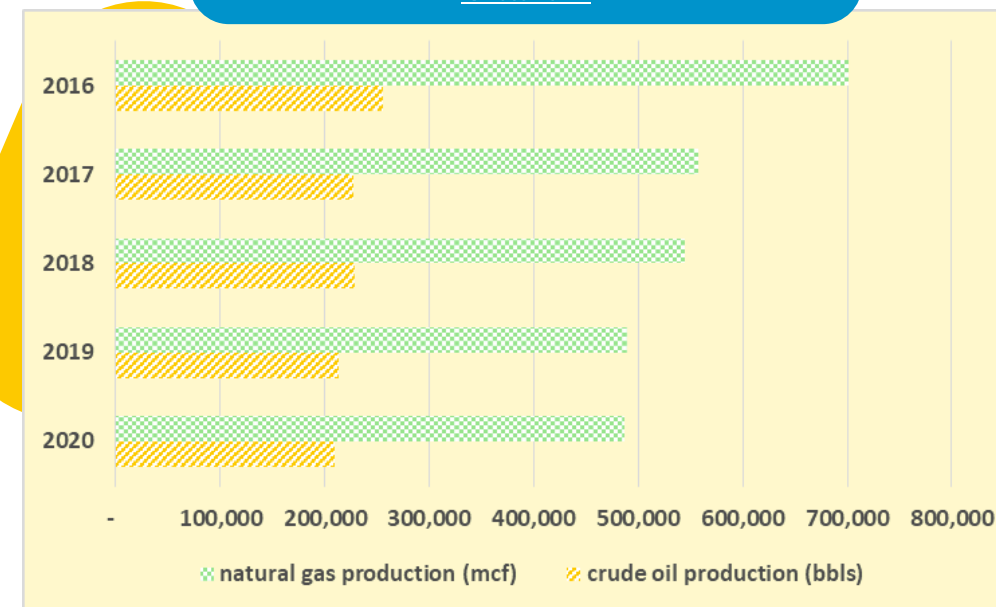
Natural Gas Production and Sales

Natural gas production decreased marginally in the fiscal year 2019-20 when compared to the previous year. Production in 2019-20 was 487,311mcf compared to 488,993mcf in 2018-19.

In contrast, natural gas sales increased by 8% from 573,956mcf in the financial year 2018-19, to 617,937 mcf in the current year. This percentage increase indicates increased demand by the customers of the National Petroleum Corporation (NPC). In the same period field gas sales increased by 9% from 343,326 mcf in the previous year to 373,177 mcf in 2019-20. Sales of gasified liquefied natural gas (LNG) increased to 244,760 mcf from 230,630 mcf in the previous year. The contribution of indigenous or field gas remained the same in the 2019/20 period as it was in 2018-19; i.e. field gas contributed 60% of the gas sales with LNG contributing the remaining 40%.

CRUDE OIL AND GAS PRODUCTION

Chart 1

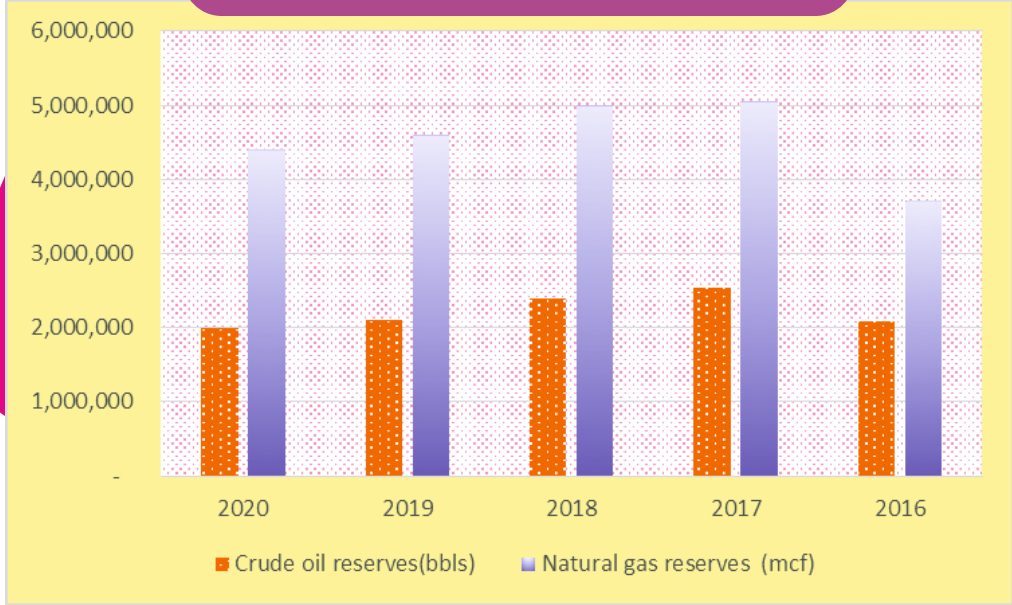


Crude Oil and Natural Gas Reserves

At March 31, 2020 crude oil reserves were assessed at approximately 2.0 million (MM) bbls and natural gas reserves at 4.4 billion cubic feet (BCF). **See Chart 2.** Both oil and gas streams were assessed at lower levels than the previous fiscal year when the gas volumes were 2.1MM bbls and 4.6 BCF, respectively. The lower assessment of oil and gas reserves with percentage differences of 7% and 6% respectively, is expected in a non-drilling year with a modest work programme. The reserves will continue to decrease without additional reserves resulting from drilling programmes or possibly enhanced oil recovery.

Renewable Energy Overview

CRUDE OIL AND GAS RESERVES
Chart 2



Workovers

During the course of the year a total of thirty-three (33) workovers were performed. These workovers detailed below were conducted at several sites in Woodbourne, Lower Greys and Boarded Hall areas

• Recompletion	1
• Gravel Packs	4
• Plug and Abandonment	3
• Routine	25

The level of workover activity during the period was impacted by a number of factors. The most significant however was the decision to discontinue perforating using the reusable hollow steel carrier gun system as a matter of health and safety to the Wireline Technicians that conduct such activities. The Company subsequently shifted its focus to identifying and sourcing a suitable replacement as a consequence of that decision.

The principal feature of 2020 was the launch of our residential photovoltaic pilot programme. This was the culmination of the Company's efforts to pass on the savings from its commercial projects to the average Barbadian. The overall objective is to install photovoltaic systems on 30,000 households by 2030 and this programme assisted the company in defining the pricing, methodology and suppliers. The “pilot” was open to staff members from BNOCL, BNTCL, NPC and the MEWR and will carry on throughout 2020 until it is ultimately offered to the general public.

To assist in facilitating this programme, the Department added two new employees: a new Renewable Energy Coordinator and the newly created position of Renewable Energy Technician.

While the photovoltaic on schools programme has been on the cards for several years, we were able to commence actual installations with the Combermere School. This installation will enable us to fine tune our logistics of operating within the school environment as well as evaluating the effectiveness of the contractual terms.

Preparatory work was undertaken to facilitate the commencement of the 4.1MW photovoltaic installations as well the collection of investment grade national wind speed data. Given the increasing importance of energy storage, training was undertaken for batteries, and energy storage technologies.

The role of biogas in the Company and country's energy mix remains important, and as such a site visit was undertaken to assess a modular, flow through model which might be applicable to our current scenario. The goal being a 250kW biogas plant. The pilot is anticipated to commence in the third quarter 2020.

As is customary, the department continued its work with various stakeholders, the Ministry of Energy and Water Resources, University of the West Indies (UWI), and the Barbados Chamber of Commerce, through sitting on various committees, facilitating site tours and sharing information with the general public.

While the highlight of 2020 was the launch of the Residential PV Programme, the culmination of our efforts in converting brown fields to green fields through the use of 4.1MW of photovoltaics in 2020 will be most welcome and significant.

Marketing Overview

During the fiscal period April 2019 to March 2020, BNOCL's imports of gasoline and diesel increased by **0.7%** and **21%** respectively, compared to the previous year. In contrast, the Company's heavy fuel oil (**HFO**) import quantities declined by **24%**.

In relation to liquefied natural gas (**LNG**), imports increased by 5% compared to 2019, because of decreased production of the Woodbourne indigenous natural gas. Therefore, on average, 24 containers of LNG were re-gassed each month at the St. Philip Plant.

Gasoline

For the year under review, the quantity of gasoline imported increased by 0.7% from 760,862bbls in 2019 to 765,971bbls in 2020. The purchase price for gasoline ranged between BDS\$104 per barrel and BDS\$206, with an average purchase price of BD\$170 per barrel.

At March 31, 2020, the retail price of gasoline was BDS\$3.45 per litre, reflecting a 36% decline compared to 2019. Of that price, 26.7% represented the cost of the product, 55.3% represented Government taxes, the marketers' margin accounted for 15.2% and the company's storage fee and margin accounted for 2.7%.

Ultra-Low Sulphur Diesel (ULSD)

In the year under review, 518,294 bbls of ULSD were imported at an average price of BD\$176 per barrel. In comparison, 428,742 bbls of diesel were imported. The maximum and minimum purchase prices for ULSD were BD\$199 and BD\$114 per barrel, respectively.

At March 31, 2020, the retail price of ULSD was BD\$2.84 per litre, reflecting a 8% decline compared to 2019. Of that price, 32.5% represented the cost of the product, 44.5% represented Government taxes, the marketers' margin accounted for 16% and the company's storage fee and margin accounted for 7%.

Heavy Fuel Oil (HFO)

During the fiscal year, BNOCL imported 1,053,062 bbls of HFO, or 323,981 bbls (24%) less than the previous year, when 1,377,043 bbls were imported. Of the total imported during the current year, 651,992 and 228,044 bbls were supplied from Novum Energy's depot in Puerto Rico, and Vitol which is located in St. Eustatius, respectively.

84% of the HFO imported into the domestic market was consumed in power generation, while asphalt production utilised 7%, with the remainder being used for bunkering, industrial and manufacturing purposes.

Importation of Liquefied Natural Gas (LNG)

During the fiscal year, BNOCL imported 282 cryogenic ISO containers which amounted to 2,840,892 gallons (or 234,784 MMBtu) of LNG to supplement the domestic, commercial and residential demand. This resulted in an increase of 5% over the quantity of product imported in the previous fiscal year.

Commercialisation Initiative - Renewable Energy

The Barbados National Energy Policy (BNEP) outlines the government's goal to achieve a 100% renewable energy (RE) and carbon neutral island-state by 2030. The BNEP spans all aspects of the domestic energy sector and the desire to transition the country from being substantially reliant on fossil fuels for energy requirements, to a state that relies on 100% utilization of renewable energy resources.

With such an emphasis placed on energy solutions and diversification, BNOCL continued to develop its footprint within the RE space and to create opportunities for enterprising Barbadians. Thus, in February 2020 the Company established a Commercial Unit and recruited a Business Development Officer to champion the RE driven transformation. Also, the department added a Marketing and Public Relations Officer to its team to enhance its corporate social, responsibility reach and to assist in the marketing of the RE solutions.

Marketing Promotions

BNOCL participated in Agrofest 2020 where some of its RE solutions were offered to the public. Additionally, the Company showcased the new suite of products and services at the Science and Technology Fair that was hosted by the University of the West Indies.

Terminal Overview

Operations at the Terminal for the financial period April 2019 to March 2020 were relatively successful with the achievement of many of the planned operational and strategic objectives established at the beginning of the fiscal year. More importantly, operations were accident and incident-free.

This highly-publicized pipeline maintenance program was safely conducted without incident or disruptions to product supply and residents in areas where repairs were being undertaken. The project expenditure was also well below the budgeted cost. The primary objective of knowledge transfer from this project to BNTCL employees and local contractors was also achieved. BNTCL's personnel were exposed to and gained knowledge and skills in pipeline fabrication and the application of coating systems, hazard identification and operability studies. This will enable BNTCL to competently execute the next pipeline repair project independently.

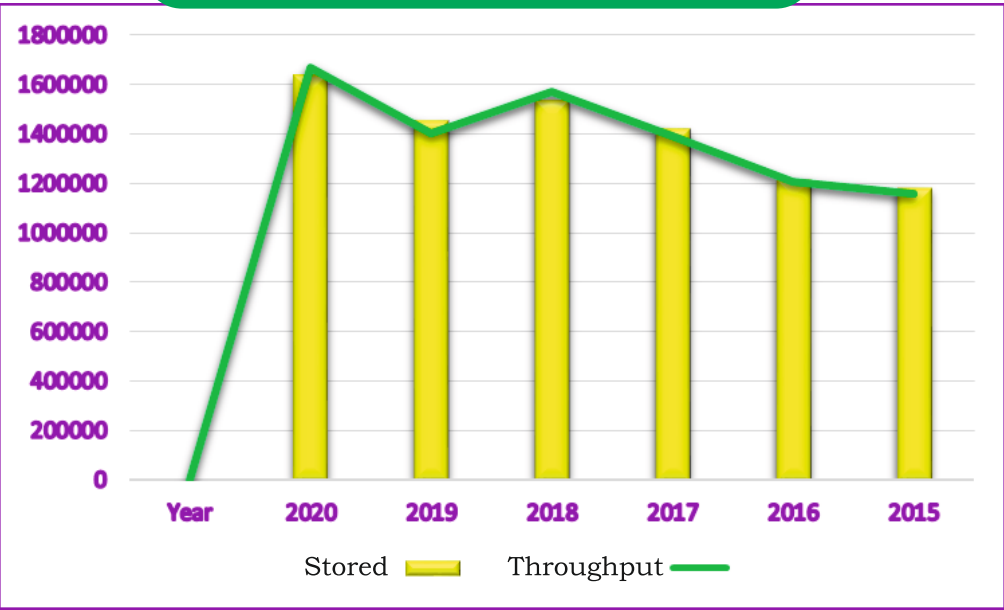
Product Stewardship and Loss Control Management

Importation of Clean Petroleum Product (diesel, gasoline and jet fuel) at the terminal facilities during the financial year, totalled 2,959,896 bbls, was an increase of approximately 337,465bbls (12%) over 2018-2019 figures of 2,622,431 bbls. However, products (gasoline, diesel and fuel oil) imported by the Marketing Department decreased from the previous year's figures of 2,556,938 bbls, to this year's volume of 2,243,861 bbls, or an overall 13% decline.

While gasoline and diesel importation figures increased approximately by 4% and 13%, respectively over the previous year, this was offset by the decline of fuel oil imports by around 42% or 406,933 bbls in comparison to the same period. This massive decline was attributed to a prolonged eighteen months maintenance programme on the fuel oil electricity generation units at the Barbados Light & Power Co Ltd (BL&P) and the quality and logistical issues experienced in November 2019 and January 2020. This invariably contributed to both increases in diesel and aviation consumption as alternate fuels for electricity generation.

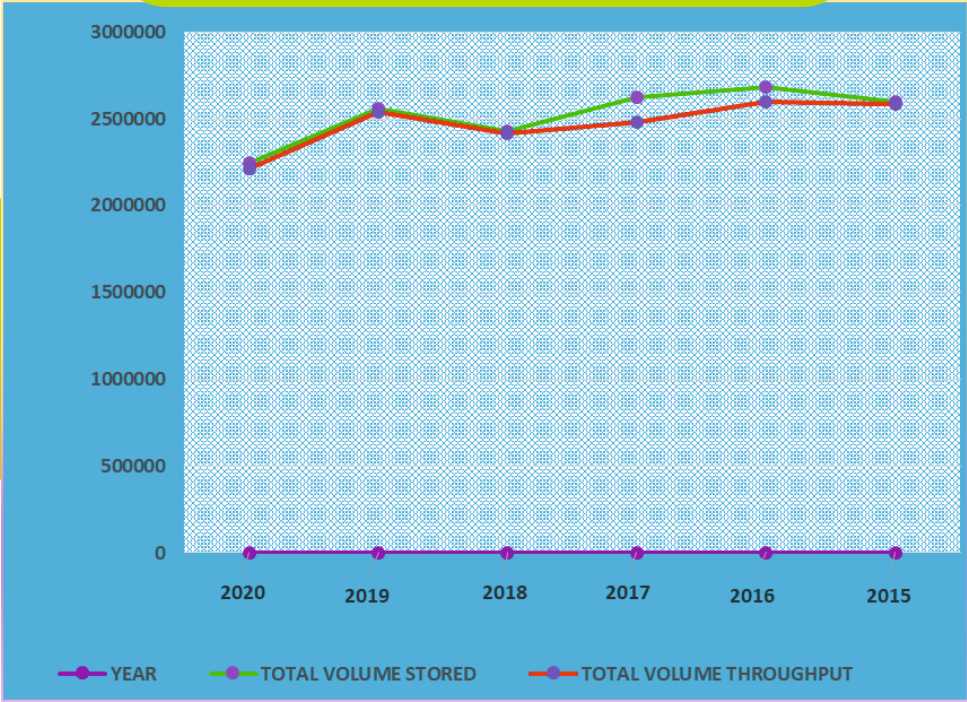
During the year total aviation imports was 1,683,671 bbls, in comparison to the previous year when 1,449,051 bbls were imported. **See Chart 3.**

TOTAL VOLUME OF JET FUEL
STORED/THROUGHPUT (BARRELS)
Chart 3



Overall sales/throughput volumes for gasoline, diesel and fuel oil also showed an overall decline consistent with the importation and storage figures. Combined sales figures declined from the previous year's total of 2,540,651 bbls to this year's data of 2,215,979 bbls. Fuel oil contributed significantly to this decline for the same reasons attributed to the decrease in importation and storage overall figures. **See Chart 4.**

**TOTAL VOLUME OF REFINED PRODUCTS
STORED/THROUGHPUT
(Gasoline, ULSD, HFO, Asphalt Feed)
Chart 4**



Combined sales to BL&P, Grantley Adams International Airport (GAIA) and the local market for domestic kerosene indicated that throughput figures for aviation increased to 1,667,037 bbls from the previous year's data of 1,401,176 bbls. The issues with fuel oil which were highlighted previously, along with an increase in the air to sea flights during the cruise season contributed to this 18% increase in sales during the year.

Crude oil exports declined by 8% to 208,688 bbls when compared to previous year's figures of 227,614 bbls.

Terminal Asset Integrity Management

The Terminal marked fifteen years of existence during this period. It therefore began the process of implementing the Energy Institute's "Guide on Assessing and Managing Ageing Equipment for Bulk Liquid Storage Facilities". This allowed the Terminal to target inspection and maintenance resources to mitigate potentially costly and hazardous failures through appropriate consideration of the associated risks. The appropriate training was therefore pursued for specific maintenance tasks. In addition, the Terminal continued to perform well above industry standards as it provided uninterrupted service during the year.

Special Project

The Pipeline repair project which traversed through the Christ Church districts of Charnocks, Church Hill and Pegwell Boggs was completed during the first half of the financial period. The repairs were completed within budget and on time. Several townhall meetings, in conjunction with traditional news and social media was utilised to keep residents abreast of the project. This exercise presented the Terminal with the opportunity to reengage with the general public about its operations and to garner support in monitoring of the pipelines to ensure safe operations.

Health, Safety, Security and Environmental (HSSE) Overview

During the financial year, the HSSE Department continued its plans to move towards the implementation of a risk-based approach to management with the addition of two team members as HSSEQ Officers. These members brought a wealth of experience in quality management and industry. This allowed the HSSE department to begin the transition of BNOCL's operational procedures to promote the use of quality management for continuous improvement.

As part of this quality management, historical accident data was analysed and areas requiring significant improvements were identified. Subsequently, the Workover Department benefited from a comprehensive training session which resulted in the teams achieving their International Association of Drilling Contractors – RigPass® accreditation. This was the first step in improving the operational and safety knowledge of BNOCL's Workover Rig Crews.

Unfortunately, many of the department's plans were interrupted when the curfew was imposed on Barbados in March because of the COVID-19 pandemic. The HSSE department observed the worldwide impact of COVID-19 and began to prepare for the event of its arrival to our shores. The Company's strategic and operational risk assessments were updated to accommodate the COVID-19 protocols. Therefore, staff were prepared for the inevitable shut down that occurred and BNOCL adapted its operational procedures to enable the uninterrupted provision of essential services to the nation.

Financial Overview

The BNOCL Group experienced a total comprehensive income of BDS\$2.9 million for the year ended March 2020 as compared to a income of BDS\$3.3 million in 2019. The parent company BNOCL as an entity recorded net income of BDS\$0.4 million for the year 2020 as compared to a net loss of BDS\$1.8 million in 2019. BNOSL recorded a loss totaling (BDS\$2.3 million) in 2020 as compared to a loss of (BDS\$3.0 million) in 2019.

The decline in profitability at the Group level was primarily due to the decreased profitability of BNTCL, although further reduction in the losses of BNOSL and increased profitability of BNOCL offset that to some degree. BNTCL recorded a profit of BDS\$5.4 million in 2020. This was 25.7% less than the profit of BDS\$7.31 million recorded in 2019.

Revenue

The Group's gross revenue declined by 13.6% from BDS\$484.6 million in the year ended March 2019 to BDS\$418.6 million in the current year under review. The sale of refined petroleum products accounted for BDS\$363.9 million or 86.9% of gross revenue for the current year. This represented a 14.1% decline on the previous year's refined products revenue of BDS\$423.8 million. The decrease in this segment of the business resulted primarily from a 24% decrease in volumes relating to fuel oil as well as the sale of product at generally lower than average prices.

There was a 24% decrease in imported volumes of fuel oil and consequently revenue from the sale of fuel oil declined by 36.4% from BDS\$187.5 million in 2019 to BDS\$119.1 million in the year under review. Revenue from gasoline and diesel increased marginally from BDS\$230.1 million to BDS\$237 million. Revenue from the sale of natural gas increased from BDS\$10.6 million in 2019 to BDS\$13.0 million in the year under review. The price of indigenous natural gas to the National Petroleum Corporation (NPC) was changed from the previously fixed rate of BDS\$7.50 per mcf to a sliding scale with a floor of BDS\$7.50 per mcf and a ceiling of BDS\$11.15 per mcf. Imported gas was again sold to the NPC at a rate calculated on a cost-plus margin basis.

BNTCL's throughput fees to non-related companies increased by 17.5% or BDS\$0.95 million from BDS\$5.4 million in 2019 to BDS\$6.4 million in the current year. These amounts are included in the total terminal throughput fees of BDS\$27.9 million for the year under review. Total terminal throughput fees increased by BDS\$0.4 million or 1.5% compared to the figure of BDS\$27.5 million for 2019.

Operating Cost

The operating cost of the Group decreased by 14.3% from BDS\$459.4 million in 2019 to BDS\$393.8 million in the current year. The major contributor was a decrease in the overall cost of refined product to BDS\$354.9 million in the current year compared with a cost of BDS\$413.2 million in 2019. This represented a decrease of 14.1% when compared to the previous year and was attributable primarily to a decrease in the volumes of fuel oil imported and generally lower costs per barrel for refined products.

General and Administration Expenses

In the year under review, the Group's General and Administration expenses remained relatively constant at BDS\$17.3 million, while its Debt Servicing Costs decreased by 16.8% from BDS\$4.4 million in 2019 to BDS\$3.7 million in the year under review. The reduced Debt servicing costs was mainly due to the amortization of the various loans of the Group. The total loans balance was BDS\$55.4 million in 2019, but this figure was reduced to BDS\$42.8 million in the year under review.

Cash Flow

The Group generated BDS\$25.7 million from its operating activities for the current year. This was a significant increase when compared to the BDS\$8.0 million in cash generated from operations in 2019. It should be noted, however, that net cash from operating activities was BDS\$21.5 million in 2020 as compared to BDS\$3.0 million in 2019. The company also generated BDS\$0.2 million cash from investing and utilized BDS\$12.1 million in financing activities in the year ended March 2020. The opening cash balance of the Group was negative (BDS\$23.2) million while the ending cash balance was negative (BDS\$13.5) million. This represented an overall increase of BDS\$9.7 million in the cash balance of the Group.



Barbados National Oil Company Limited

Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

Registered Office

Woodbourne, St. Philip, Barbados

Board of Directors - BNOCL

- Mr. William Alexander McDonald - Chairman
- Ms. Lachimi Connell - Deputy Chairman
- Ms. Ethnie Bellamy-Weekes (Until November 7, 2019)
- Mr. Kwame Bradshaw (Appointed April 30, 2019)
- Ms. Averill Brathwaite (Appointed November 7, 2019)
- Mrs. Stephanie Catling-Birmingham
- Ms. Alexandra Daniel
- Mrs. Andria Shepherd-Payne
- Mr. David Straughn
- Mr. Jehu Wiltshire (Until June 21, 2019)
- Mr. Jamar White (Appointed June 21, 2019)

Corporate Secretary

- Mr. Ashley Bignall (Until July 8, 2019)
- Mrs. Donna Harris-Thornhill (Appointed July 8, 2019)

Auditor

PricewaterhouseCoopers SRL

Banker

Republic Bank (Barbados) Limited

Attorneys-At-Law

- Attorneys-at-law
- Mr. Barry Gale, QC
- Mr. Roger C. Forde, QC
- Charles Russell Speechlys



Independent auditor’s report

To the Shareholders of Barbados National Oil Company Limited

Our qualified opinion

In our opinion, except for the possible effects and the effect of the matters described in the basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Barbados National Oil Company Limited (the Company) and its subsidiaries (together ‘the Group’) as at March 31, 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

The in-house oil and gas reserves reports prepared as at March 31, 2020 and March 31, 2019 did not fully evaluate in-place volumes, reserves resources and project cost assumptions nor were they prepared in accordance with Society of Petroleum Engineers or Petroleum Resource Management System guidelines. As such the oil and gas reserves reported in both reports were deemed to be inconclusive. In the absence of reliable information with respect to the Group’s oil and gas reserves, we were unable to determine whether adjustments might have been necessary in respect of the depletion costs reported in the consolidated statement of comprehensive income and consolidated statement of cash flows, and property, plant and equipment reported in the consolidated statement of financial position for the current year and prior year.

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



During the year the Group reassessed its abandonment costs and in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets' recorded the present value of the expected future cash flows that will be required to perform the decommissioning in the financial statements. Management had not performed this assessment in the prior year. As such we were unable to determine whether adjustments might have been necessary in respect of depletion costs and decrease in provision for abandonment reported in the consolidated statement of comprehensive income and consolidated statement of cash flows for the current year and property, plant and equipment, the provision for abandonment, and the retained earnings reported in the consolidated statement of financial position and depletion costs reported in the consolidated statement of comprehensive income and consolidated statement of cash flows for the prior year.

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the 2020 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after this auditor's report date..

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Other Matter

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

PricewaterhouseCoopers SRH

Bridgetown, Barbados
July 28, 2020

Barbados National Oil Company Limited

Consolidated Statement of Financial Position
As at March 31, 2020

(expressed in Barbados dollars)

	2020 \$	2019 \$
Current assets		
Cash on hand and at bank (note 5)	6,002,708	4,759,923
Term deposits (note 6)	7,753,077	7,921,827
Debt service reserve (note 7)	—	6,091,231
Accounts and other receivables (note 8)	41,146,209	45,277,685
Due from shareholder (note 9)	4,847,105	978,039
Inventories (note 10)	37,963,251	43,164,139
Prepaid expenses	876,638	580,191
	98,588,988	108,773,035
Current liabilities		
Bank overdraft (note 5)	19,496,036	27,926,454
Accounts payable and accrued liabilities (note 11)	33,282,987	34,435,853
Due to shareholder (note 9)	63,950	87,698
Borrowings - current portion (note 7)	6,695,139	12,898,673
Corporation tax payable	42,474	41,310
	59,580,586	75,389,988
Working capital	39,008,402	33,383,047
Long-term accounts and other receivables (note 8)	770,147	—
Due to shareholder (note 9)	(6,793,390)	—
Financial investments (note 12)	2,453,249	6,229,348
Inventories (note 10)	183,750	493,981
Investment in associated company (note 13)	362,823	493,883
Property, plant and equipment (note 14)	151,105,948	183,368,507
Deposit on property, plant and equipment (note 15)	531,812	1,903,179
Provision for abandonment (note 16)	(8,943,892)	(44,358,308)
Right-of-use-asset (note 17)	3,465,666	—
Lease liability (note 17)	(3,914,558)	—
Employee benefits (note 18)	(1,617,344)	(1,671,997)
Borrowings (note 7)	(36,111,111)	(42,500,000)
Deferred tax (liability)/asset (note 19)	(202,710)	39,602
Net assets	140,298,792	137,381,242
Represented by:		
Equity		
Share capital (note 20)	41,014,809	41,014,809
Retained earnings	99,283,983	96,366,433
	140,298,792	137,381,242

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

Approved by the Board of Directors on July 15, 2020

[Signature]

Director

[Signature]

Director

Barbados National Oil Company Limited

Consolidated Statement of Changes in Equity
For the year ended March 31, 2020

(expressed in Barbados dollars)

	Share capital \$	Retained earnings \$	Total \$
Balance at April 1, 2018	41,014,809	28,236,449	69,251,258
Rescinding of dividend declared	—	53,000,000	53,000,000
Write-off of intragovernmental debt (note 31)	—	11,836,883	11,836,883
Net income for the year	—	3,678,344	3,678,344
Other comprehensive loss	—	(385,243)	(385,243)
Total comprehensive income for the year	—	3,293,101	3,293,101
Balance at March 31, 2019	41,014,809	96,366,433	137,381,242
Net income for the year	—	3,063,077	3,063,077
Other comprehensive loss	—	(145,527)	(145,527)
Total comprehensive income for the year	—	2,917,550	2,917,550
Balance at March 31, 2020	41,014,809	99,283,983	140,298,792

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

Barbados National Oil Company Limited

Consolidated Statement of Comprehensive Income
For the year ended March 31, 2020

(expressed in Barbados dollars)

	2020 \$	2019 \$
Revenue		
Upstream revenue (note 21)	48,522,073	55,430,134
Refined products sales (note 21)	363,912,779	423,776,018
Terminal throughput fees	6,366,569	5,416,573
	418,801,421	484,622,725
Operating costs		
Cost of goods sold - refined products (note 24)	354,880,514	413,231,060
Cost of goods sold - crude oil (note 24)	23,103,707	19,531,548
Holborn facilities costs (note 27)	3,428,694	4,189,450
Terminal operating costs (note 24)	6,831,552	4,473,723
Depreciation (notes 14 & 17)	8,894,299	8,158,569
Depletion (note 14)	1,965,190	5,932,089
Royalties	3,416,285	3,833,728
Decrease in provision for abandonment (note 16)	(8,704,665)	—
	393,815,576	459,350,167
Gross profit	24,985,845	25,272,558
General and administrative expenses (note 24)	(17,245,056)	(17,314,739)
Finance costs (notes 7 & 17)	(3,657,820)	(4,398,790)
Operating profit	4,082,969	3,559,029
Other (losses)/income (note 22)	(650,209)	37,884
Profit before share of net (loss)/income of associated company	3,432,760	3,596,913
Share of net (loss)/income of associated company (note 13)	(131,060)	275,907
Profit before taxation	3,301,700	3,872,820
Taxation (note 19)	(238,623)	(194,476)
Net income for the year	3,063,077	3,678,344
Other comprehensive loss		
Items that will not be reclassified to income:		
Remeasurements of defined employee benefits (note 18)	(140,674)	(385,243)
Tax related to remeasurements of defined employee benefits	(4,853)	—
	(145,527)	(385,243)
Total comprehensive income for the year	2,917,550	3,293,101

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

Barbados National Oil Company Limited

Consolidated Statement of Cash Flows
For the year ended March 31, 2020

(expressed in Barbados dollars)

	2020 \$	2019 \$
Cash flows from operating activities		
Profit before taxation	3,301,700	3,872,820
Adjustments for:		
Depreciation	8,894,299	8,158,569
Depletion	1,965,190	5,932,089
Pension plan expense	938,774	938,901
Share of net loss/(income) of associated company	131,060	(275,907)
Finance costs	3,657,820	4,398,790
Interest income	(361,025)	(537,607)
Loss on disposal of property, plant and equipment	80,502	—
Amortisation of inventories	310,231	297,772
Amortisation of bond issue cost	—	110,845
Translation of US\$ bond	—	78,041
IADB project expenses	2,627,155	—
Write-off of deposit on assets	—	52,028
Provision for abandonment	(8,704,756)	—
Operating income before working capital changes	12,840,950	23,026,341
Decrease/(increase) in term deposits	168,750	(607)
Decrease/(increase) in debt service reserve	6,091,231	(2,563,577)
Decrease/(increase) in accounts and other receivables	6,777,498	(3,666,012)
(Increase)/decrease in due from shareholder	(3,869,066)	2,720,828
Decrease/(increase) in inventories	5,200,888	(594,520)
Increase in prepaid expenses	(296,447)	(135,374)
(Decrease)/increase in due to shareholder	(23,748)	82,671
Decrease in accounts payable and accrued liabilities	(1,152,866)	(10,854,994)
Cash generated from operations	25,737,190	8,014,756
Interest paid	(3,267,668)	(4,398,790)
Pension plan contributions paid	(1,134,101)	(1,128,075)
Interest received	237,549	504,325
Net cash generated from operating activities	21,572,970	2,992,216
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,191,053)	(675,293)
Deposit on plant and equipment	1,371,367	(189,963)
Proceeds from disposal of property, plant and equipment	28,936	—
Net cash generated from/(used in) investing activities	209,250	(865,256)
Carried forward	21,782,220	2,126,960

Barbados National Oil Company Limited

Consolidated Statement of Cash Flows ...continued
For the year ended March 31, 2020

(expressed in Barbados dollars)

	2020 \$	2019 \$
Brought forward	21,782,220	2,126,960
Cash flows from financing activities		
Repayment of borrowings	(12,592,423)	(17,055,802)
Repayment of debt securities	483,406	777,964
Redemption of debt securities	—	9,906,000
Net cash used in financing activities	(12,109,017)	(6,371,838)
Net increase/(decrease) in cash and cash equivalents	9,673,203	(4,244,878)
Cash and cash equivalents - beginning of year	(23,166,531)	(18,921,653)
Cash and cash equivalents - end of year (note 5)	(13,493,328)	(23,166,531)

In the current year, funds due in relation to a bond redemption of \$3,416,169 and additions to property, plant and equipment of \$4,166,235 have been excluded from the statement of cash flows as there were no cash outlays.

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

1 General information

The Company is incorporated under the Companies Act, CAP 308 of the Laws of Barbados. The common shares are 75.48% owned by the Government of Barbados and 24.52% owned by the National Petroleum Corporation.

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

2 Significant accounting policies

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

a) Basis of preparation

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

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

The following new standards, amendments and interpretations to published standards are applicable to the financial period.

IFRS 16, ‘Leases’: This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

i) New standards, amendments and interpretations adopted by the Group ...continued

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

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.

Annual improvements 2015-2017 to IAS 12, ‘Income taxes’: a company accounts for all income tax consequences of dividend payments in the same way.

IFRIC 23, ‘Uncertainty over income tax treatments’: This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(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, 2019 but not currently relevant to the Group

Amendment to IAS 28, ‘Investments in associates’ on long term interests in associates and joint ventures: These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.

Annual improvements 2015-2017 to IFRS 3, ‘Business combinations’ a company remeasures its previously held interest in a joint operation when it obtains control of the business.

Annual improvements 2015-2017 to IFRS 11, ‘Joint arrangements’ a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

Annual improvements 2015-2017 to IAS 23, ‘Borrowing costs’ a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

iii) New standards, amendments and interpretations issued but not yet effective for the financial period beginning April 1, 2019 and not early adopted

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

Amendments to IAS 1, ‘Presentation and financial statements’ on classification of liabilities. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability (effective January 1, 2022).

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, 2020).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

b) Basis of consolidation

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

c) Revenue recognition

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

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

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

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

d) Investment in associated company

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

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

e) Inventories

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

f) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

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

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

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each consolidated statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

g) Intangible drilling costs and depletion

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

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

h) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

i) Employee benefits

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

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long-term government securities. All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated statement of other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the consolidated statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

j) Provisions

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

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

k) Cash and cash equivalents

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

l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of the provisions is recognised in the consolidated statement of comprehensive income.

m) Taxation

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

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

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

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

n) Borrowings

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

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

o) Provision for abandonment

A provision is established towards the cost of returning the surface location of each successful well to its original condition. The provision is measured at the present value of the expected future cash flows that will be required to perform the restoration. The provision is updated at each statement of financial position date for changes in the estimates of the amount or timing of future cash flows and changes in the discount rate. The cost is included as part of the intangible drilling costs and depleted over the production life of the well. The asset cannot decrease below zero and cannot increase above the asset’s recoverable amount. If the decrease in provision exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of comprehensive income. Adjustments that result in an addition to the cost of the asset are assessed to determine if the new carrying amount is fully recoverable or not.

p) Royalty expense

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

q) Accounts payable

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

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

r) Impairment of non-financial assets

Property, plant and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

s) Leases

i) Leases under IFRS 16 - from April 1, 2019

The entity leases land for a period of 50 years from January 2004 with an option to renew of an additional 25 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's lease, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example, term, country, currency and security.

If a readily observable amortising loan rate becomes available to the Group (through recent financing or market data) which has a similar payment profile to the lease, then the Group will use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

s) Leases ...continued

i) Leases under IFRS 16 - from April 1, 2019 ...continued

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

An extension option is often included in the lease agreement. This is used to maximise operational flexibility in terms of managing the asset used in the Group's operations. The extension option held is exercisable only by the Group and not by the respective lessor.

ii) Leases under IAS 17 - up to March 31, 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

t) Financial instruments

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

Financial assets under IFRS 9

Classification

The Group classifies its financial assets in the following measurement category:

- those to be measured at amortised cost (AC)

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

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

t) Financial instruments ...continued

Financial assets under IFRS 9 ...continued

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

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

Recognition and derecognition

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

Measurement

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

Debt instruments (IFRS 9)

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

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

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

Impairment

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
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(expressed in Barbados dollars)

2 Significant accounting policies ...continued

t) Financial instruments ...continued

Financial assets under IFRS 9 ...continued

Accounts receivable

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

i) Fair values

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
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3 Critical accounting judgements and key sources of estimation uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

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

a) Estimated impairment of assets

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

b) Depletion of intangible drilling and development costs

The Group makes provisions for the depletion of its intangible drilling and development costs as stated in Note 14. Judgement is required in determining the level of depletion based on the estimated reserves of the Group’s wells.

c) Employee benefits

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

d) Provision for abandonment

The Group makes provisions for the cost of returning the surface location of each successful well to its original condition as stated in Note 2(o). Judgement is required in determining the provision based on the present value remedial cost of each well. Assumptions are made with respect to the discount factor, length of time and the expected cost of closure to be incorporated into the present value calculation. These assumptions and the sensitivity to changes are disclosed in Note 16.

e) Provision for obsolescence

The Group make provisions for obsolete inventory as disclosed in Note 10. Judgement is required in determining the level of provision based on the age and future use of the inventory item.

Barbados National Oil Company Limited

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4 Financial risk management

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

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

a) Market risk

i) Foreign currency risk

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

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

ii) Cash flow and fair value interest rate risk

The Group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2020 and 2019, the Group’s borrowings at variable rate were denominated in the Barbados dollar and United States dollar.

At March 31, 2020, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net income for the year would have been \$Nil (2019 - \$41,267) lower or higher, mainly as a result of higher or lower finance costs on floating rate borrowings.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
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(expressed in Barbados dollars)

4 Financial risk management ...continued

b) Credit risk

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

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

The maximum credit risk exposure is as follows:

	2020		2018	
	\$	%	\$	%
Cash and bank balances	6,002,708	13.09	4,759,923	7.63
Term deposits	7,753,077	16.91	7,921,827	12.69
Debt service reserve	—	—	6,091,231	9.76
Accounts and other receivables	24,785,340	54.07	36,426,495	58.37
Due by shareholder	4,847,105	10.57	978,039	1.57
Financial investments	2,453,249	5.35	6,229,348	9.98
	45,841,479	100.00	62,406,863	100.00

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

The Group uses three approaches in arriving at expected losses:

- The simplified approach (for accounts receivables)
- The general approach (for all other financial assets)
- A practical expedient for financial assets with low credit risk (intercompany balances)

The simplified approach

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
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(expressed in Barbados dollars)

4 Financial risk management ...continued

b) Credit risk ...continued

The expected loss rates for non-specific accounts are based on the payment profiles of sales over a period of 24 months starting April 1, 2017 and ending on March 31, 2019 and the corresponding historical credit losses experienced within this period.

Practical expedient for financial assets with low credit risk

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

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

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

Incorporation of forward-looking information

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

Assets written off

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2020

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4 Financial risk management ...continued

b) Credit risk ...continued

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

March 31, 2019

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

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

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4 Financial risk management ...continued

c) Liquidity risk

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

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

	Less than 1 year \$	More than 1 year \$	Total \$
At March 31, 2020			
Bank overdraft	19,496,036	—	19,496,036
Accounts payable	25,651,655	—	25,651,655
Due to shareholder	63,950	6,793,390	6,857,340
Borrowings	9,257,211	42,875,219	52,132,430
	<u>54,468,852</u>	<u>49,668,609</u>	<u>104,137,361</u>
Off financial statement exposure			
Guarantee and letter of credit	—	30,800,000	30,800,000
Total liabilities	<u>54,468,852</u>	<u>80,468,609</u>	<u>134,937,361</u>
At March 31, 2019			
Bank overdraft	27,926,454	—	27,926,454
Accounts payable	33,454,099	—	33,454,099
Due to related company	87,698	—	87,698
Borrowings	16,115,980	51,961,023	68,077,003
	<u>77,594,231</u>	<u>51,961,023</u>	<u>129,545,254</u>
Off financial statement exposure			
Guarantee and letter of credit	—	30,800,000	30,800,000
Total liabilities	<u>77,594,231</u>	<u>82,761,023</u>	<u>160,345,254</u>

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
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4 Financial risk management ...continued

c) Liquidity risk ...continued

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

	Less than 1 year \$	More than 1 year \$	Total \$
At March 31, 2020			
Cash and cash equivalents	6,002,708	—	6,002,708
Term deposits	7,753,077	—	7,753,077
Accounts and other receivables	24,785,340	—	24,785,340
Due by shareholder	4,847,105	—	4,847,105
Financial investments	—	2,453,249	2,453,249
Assets held for managing liquidity	43,388,230	2,453,249	45,841,479
At March 31, 2019			
Cash and cash equivalents	4,759,923	—	4,759,923
Term deposits	7,921,827	—	7,921,827
Debt service reserve	6,091,231	—	6,091,231
Accounts and other receivable	36,426,495	—	36,426,495
Due by related companies	978,039	—	978,039
Financial investments	—	6,229,348	6,229,348
Assets held for managing liquidity	56,177,515	6,229,348	62,406,863

Capital risk management

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

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

5 Cash and cash equivalents

	2020 \$	2019 \$
Cash on hand and at bank	6,002,708	4,759,923
Bank overdraft	(19,496,036)	(27,926,454)
	(13,493,328)	(23,166,531)

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

The bank overdraft is secured as follows:

- A legal mortgage of \$30M over the fixed and floating assets of the Company with a specific charge over property located at Woodbourne, St. Philip.
- Lien over term deposit for \$6.4M.
- Assignment of Trident Insurance Company Limited policy number FC-36115 over the stock of the Barbados National Oil Company Limited held at Barbados National Terminal Company Limited at Fairy Valley, Christ Church and anywhere else the Company operates. Republic Bank's interest on USD\$11M worth of stock consisting of either crude oil to be shipped or refined oil. Total sum insured \$196M, expiring April 1, 2020.

The interest rate on the overdraft is based on the minimum savings rate plus 3.74% per annum. The effective rate applicable to the facility at the statement of financial position date was 6.25% (2019 - 6.25%).

6 Term deposits

	2020 \$	2019 \$
Term deposits	7,753,077	7,921,827

Term deposits have maturities of 6 months or less and bear interest at 0.01% (2019 - 0.01%). A lien over term deposits amounting to \$6.4M has been given as security for the Group's bank overdraft facility (Note 5).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

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7 Borrowings

	2020 \$	2019 \$
i) \$160M Bond issue	—	6,159,784
ii) Fixed rate bond	16,556,250	19,100,000
iii) Bank borrowings	26,250,000	30,138,889
	<u>42,806,250</u>	<u>55,398,673</u>
Less: Current portion	(6,695,139)	(12,898,673)
Long-term portion	<u>36,111,111</u>	<u>42,500,000</u>

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

	2020 \$	2019 \$
1 - 2 years	12,777,778	12,777,778
2 - 5 years	19,166,667	19,166,667
Over 5 years	4,166,666	10,555,555
	<u>36,111,111</u>	<u>42,500,000</u>

i) \$160 Bond issue

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

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

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

7 Borrowings ...continued

i) \$160 Bond issue ...continued

The unmatured bonds at issue as at March 31, 2020 were comprised as follows:

	2020 \$	2019 \$
Current		
a) Fixed rate bonds - BD\$	—	2,033,082
b) Floating rate bonds - US\$	—	4,126,702
	<u>—</u>	<u>6,159,784</u>

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

Debt Service Reserve Account

The Group was required to maintain a Debt Service Reserve Account in an amount equal to the total amount of scheduled principal payments plus interest due and payable on each payment date for the next twelve months on the outstanding bonds. At year end the debt service reserve account held \$Nil (2019 - \$6,091,231).

ii) Fixed rate bond

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

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

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

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

Barbados National Oil Company Limited

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7 Borrowings ...continued

iii) Bank borrowings

Interest on the loan is payable monthly in arrears at minimum saving rate (MSR) plus 3.75% based on the outstanding principal, computed on a 365 day basis. The loan is secured by a guarantee to the extent of \$70,000,000 from the Government of Barbados. The effective rate applicable to this loan at the consolidated statement of financial position date was 6.25% (2019 - 6.25%).

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

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

- First legal debenture/mortgage stamped to cover \$30M over the fixed and floating assets with a specific charge over the property and terminal facility at Fairy Valley.
- Trident Insurance Company Limited policy number FC-036115 over the stock held at Fairy Valley, Christ Church and anywhere else the Group operates. Sum insured \$196M.
- The Group has provided a guarantee of \$30.8M to the bank.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

8 Accounts and other receivables

	2020	2019
	\$	\$
Current:		
Trade receivables	21,003,762	36,426,495
Duty prepaid	14,735,383	8,052,580
VAT receivable	1,625,486	693,273
Other receivable	3,781,578	105,337
	41,146,209	45,277,685
Non-current:		
VAT receivable	770,147	—
Total accounts and other receivables	41,916,356	45,277,685

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

The maximum exposure to credit risk at March 31, 2020 is the fair value of each class of receivable mentioned above, which approximates their carrying values. The Group does not hold any collateral as security.

There was no loss allowance on accounts and other receivables in 2020 or 2019.

9 Related party transactions

i) Due from associated company

	2020	2019
	\$	\$
Due from associated company	11,026,869	11,423,364
Loss allowance	(11,026,869)	(11,423,364)
	—	—

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

Barbados National Oil Company Limited

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(expressed in Barbados dollars)

9 Related party transactions ...continued

ii) Due from shareholder

	2020	2019
	\$	\$
National Petroleum Corporation	4,847,105	978,039

This amount is in the normal course of business and is normally payable within 30 days of the invoice date.

iii) Due to shareholder

	2020	2019
	\$	\$
Current:		
National Petroleum Corporation	63,950	87,698

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

Non-current:

National Petroleum Corporation	6,793,390	—
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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 the Group 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. As such repayments to NPC are expected to commence in December 2023.

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

10 Inventories

	2020	2019
	\$	\$
Refined products	22,928,565	29,099,329
Crude oil	3,585,779	5,111,565
Materials	20,483,830	23,623,575
Goods in transit	8,277,546	2,337,626
Renewable energy supplies	350,907	—

	55,626,627	60,172,095
--	------------	------------

Less: non-current portion - tank heels (i)	(183,750)	(493,981)
--	-----------	-----------

	55,442,877	59,678,114
--	------------	------------

Less: provision for obsolescence on materials	(17,479,626)	(16,513,975)
---	--------------	--------------

	37,963,251	43,164,139
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	2020	2019
	\$	\$

i) Non-current - tank heels

Balance at beginning of year	493,981	791,753
Amortisation (note 22)	(310,231)	(297,772)

Balance at end of year	183,750	493,981
------------------------	---------	---------

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

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

March 31, 2020

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11 Accounts payable and accrued liabilities

	2020 \$	2019 \$
Accounts payable	25,651,655	24,727,387
VAT payable	1,176,609	1,700,914
Accrued expenses	1,306,266	4,742,800
Fuel rebate payable	420,358	1,980,771
Other payables	75,223	86,687
Duty payable	4,652,876	1,197,294
	<u>33,282,987</u>	<u>34,435,853</u>

12 Financial investments

	2020 \$	2019 \$
Non-current		
Financial assets at amortised cost:		
Barbados Port Inc. Bond (i)	—	3,776,099
Government of Barbados Series D Bond (ii)	2,453,249	2,453,249
	<u>2,453,249</u>	<u>6,229,348</u>
Balance at beginning of year	6,229,348	6,974,029
Repayment of debt securities	(483,406)	(787,198)
Redemption of debt securities	(3,292,693)	—
Derecognition of debt securities	—	(2,419,966)
Recognition of debt securities on restructure	—	2,462,483
	<u>2,453,249</u>	<u>6,229,348</u>

i) The investment in the Barbados Port Inc. Bond accrued interest at 7.5% and was set to mature on March 31, 2024. Following the renegotiation of the bonds by the issuer, the Group opted to redeem the bonds held. (Note 8)

ii) The bond accrues interest at 1.5% and matures on August 31, 2053.

The fair value of financial assets at amortised cost at year end was \$1,741,164 (2019 - \$5,466,983).

Barbados National Oil Company Limited

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

13 Investment in associated company

	2020 \$	2019 \$
Equity value of investment - beginning of year	493,883	217,976
Share of net income/(loss) of associated company for the year	<u>(131,060)</u>	<u>275,907</u>
Equity value of investment - end of year	<u>362,823</u>	<u>493,883</u>

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

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

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(expressed in Barbados dollars)

14 Property, plant and equipment

	Land, buildings & leasehold improvements	Furniture, fittings and office equipment	Motor vehicles	Well equipment	LPG processing facilities	Seismic cost	Production and operation equipment	Intangible drilling and development costs	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At March 31, 2018										
Cost	21,873,053	7,138,243	4,333,465	38,908,042	14,258,976	1,102,082	162,042,673	221,572,686	3,643,035	475,111,219
Accumulated depreciation	(7,874,026)	(6,352,110)	(3,408,456)	(34,025,409)	(10,894,696)	(1,039,401)	(75,311,129)	(141,243,429)	—	(280,387,620)
Net book amount	13,999,027	786,133	925,009	4,882,633	3,364,280	62,681	86,731,544	80,329,257	3,643,035	194,723,599
Year ended March 31, 2019										
Opening net book amount	13,999,027	786,133	925,009	4,882,633	3,364,280	62,681	86,731,544	80,329,257	3,643,035	194,723,599
Additions	—	380,131	106,568	—	—	—	21,742	97,752	69,100	675,293
Transfers	—	462,752	—	—	—	—	—	—	(462,752)	—
Increase in provision for abandonment (note 16)	—	—	—	—	—	—	—	2,112,300	—	2,112,300
Disposals - cost	—	(16,309)	(41,775)	—	—	—	—	—	(52,027)	(110,111)
Accumulated depreciation on disposals	—	16,309	41,775	—	—	—	—	—	—	58,084
Depreciation and depletion charges	(765,529)	(670,167)	(274,338)	(745,922)	(299,924)	(19,125)	(5,383,564)	(5,932,089)	—	(14,090,658)
Closing net book amount	13,233,498	958,849	757,239	4,136,711	3,064,356	43,556	81,369,722	76,607,220	3,197,356	183,368,507
At March 31, 2019										
Cost	21,873,053	7,964,817	4,398,258	38,908,042	14,258,976	1,102,082	162,064,415	223,782,738	3,197,356	477,549,737
Accumulated depreciation	(8,639,555)	(7,005,968)	(3,641,019)	(34,771,331)	(11,194,620)	(1,058,526)	(80,694,693)	(147,175,518)	—	(294,181,230)
Net book amount	13,233,498	958,849	757,239	4,136,711	3,064,356	43,556	81,369,722	76,607,220	3,197,356	183,368,507

Barbados National Oil Company Limited

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14 Property, plant and equipmentcontinued

	Land, buildings & leasehold improvements	Furniture, fittings and office equipment	Motor vehicles	Well equipment	LPG processing facilities	Seismic cost	Production and operation equipment	Intangible drilling and development costs	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Year ended March 31, 2020										
Opening net book amount	13,233,498	958,849	757,239	4,136,711	3,064,356	43,556	81,369,722	76,607,220	3,197,356	183,368,507
Additions	86,838	342,833	—	—	—	—	177,938	129,712	453,732	1,191,053
Additions from NPC Project Execution Unit	—	—	498,723	—	—	—	—	—	3,667,512	4,166,235
Decrease in provision for abandonment (note 16)	—	—	—	—	—	—	—	(26,709,660)	—	(26,709,660)
Disposals - cost	(100,224)	(47,899)	(261,723)	—	—	—	—	—	—	(409,846)
Accumulated depreciation on disposals	16,286	22,399	261,723	—	—	—	—	—	—	300,408
Depreciation and depletion charges	(766,919)	(510,155)	(241,538)	(588,844)	(299,924)	(19,127)	(5,852,418)	(2,521,824)	—	(10,800,749)
Closing net book amount	12,469,479	766,027	1,014,424	3,547,867	2,764,432	24,429	75,695,242	47,505,448	7,318,600	151,105,948
At March 31, 2020										
Cost	21,865,170	8,544,631	4,630,006	38,908,042	14,258,976	1,102,082	162,738,509	197,202,790	7,318,600	456,568,806
Accumulated depreciation	(9,395,691)	(7,778,604)	(3,615,582)	(35,360,170)	(11,494,544)	(1,077,653)	(87,043,267)	(149,697,342)	—	(305,462,858)
Net book amount	12,469,479	766,027	1,014,424	3,547,867	2,764,432	24,429	75,695,242	47,505,448	7,318,600	151,105,948

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

15 Deposit on property, plant and equipment

At March 31, 2020, the Group had made deposits totalling \$531,812 (2019 - \$354,486) on plant and equipment. A further \$148,365 (2019 - \$13,680,000) is due in relation to the plant and equipment. During the year, the Group abandoned the plan to purchase land at Fairy Valley, Christ Church. The previously held deposit of \$1,520,000 was applied to outstanding lease payments with the residual balance being noted as prepayments for future lease payments.

16 Provision for abandonment

	2020 \$	2019 \$
Balance at beginning of year	44,358,307	41,462,022
(Decrease)/increase in provision for abandonment	(35,414,415)	2,896,285
Balance at end of year	8,943,892	44,358,307

The Group has established a provision of \$8,943,892 (2019 - \$36,823,644) towards remediation costs which are estimated to be \$37,738 (2019 - \$187,111) per well which is required to return the surface location of wells to their original condition. The cost of abandonment is included in intangible drilling and development costs under property, plant and equipment and is amortised to the consolidated statement of comprehensive income in line with the Group’s depletion charge for the year. The estimated price per well is the present value of \$105,000 per well over a 15 year period at a discount rate of 7.06%.

The sensitivity of the provision for abandonment to changes in the weighted principal assumptions is as follows:

	Impact on provision for abandonment		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	7,779,707	10,295,876
Cost	10%	8,351,455	9,536,433
Period	1 year	8,354,142	9,575,386

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.

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements
March 31, 2020

(expressed in Barbados dollars)

17 Leases

i) Amount recognised in the statement of financial position:

	2020 \$	April 1, 2019 \$
Right-of-use assets		
Land	3,465,667	3,524,406
Lease liabilities		
Non-current	(3,914,558)	(3,524,406)

ii) Amount recognised in the statement of comprehensive income:

	2020 \$	2019 \$
Depreciation charge of right-of-use assets		
Land	(58,740)	—
Interest expense	(390,152)	—

The Group adopted IFRS 16 retrospectively from April 1, 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening statement of financial position on April 1, 2019.

On adoption of IFRS 16, the Group recognised a lease liability in relation to a lease which had previously been classified as ‘operating leases’ under the standard of IAS 17 Leases. This liability was measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of April 1, 2019. The Group’s incremental borrowing rate applied to the lease liability on April 1, 2019 was 11.07%.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at April 1, 2019;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition day the Group relied on its assessment made applying IAS 17 and ‘Interpretation 4 - Determining whether an Arrangement contains a Lease’.

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

17 Leases ...continued

Measurement of lease liabilities

	2019 \$
Operating lease commitment disclosed as at March 31, 2019	17,568,000
Discounted using the group's incremental borrowing rate at the date of initial application	3,420,720
Add:	
Adjustments as a result of a different treatment of extension option	<u>103,686</u>
Lease liability recognised as at April 1, 2019	<u>3,524,406</u>
Of which are:	
Current lease liabilities	—
Non-current lease liabilities	<u>3,524,406</u>
	<u>3,524,406</u>

Measurement of right-of-use assets

The associated right-of-use asset was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the statement of financial position as at April 1, 2019.

Adjustments recognised in the statement of financial position on April 1, 2019

The change in accounting policy affected the following items in the statement of financial position on April 1, 2019:

- Right-of-use assets increase by \$3,524,406
- Lease liabilities increase by \$3,524,406

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

18 Employee benefits

The Group operates defined benefit pension plans for their employees under segregated fund policies with Sagicor Life Inc. The plans are valued triennially by independent actuaries. The next full triennial valuation is due on April 1, 2022. Interim valuations are performed each year.

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

	2020 \$	2019 \$
Fair value of plan assets	21,020,250	20,189,898
Present value of funded obligations	<u>(22,637,594)</u>	<u>(21,861,895)</u>
Net liability in the consolidated statement of financial position	<u>(1,617,344)</u>	<u>(1,671,997)</u>

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

	2020 \$	2019 \$
Present value of funded obligations -at beginning of year	21,861,895	21,339,903
Interest cost	1,744,071	1,689,793
Current service cost (including voluntary contributions)	1,095,114	1,134,430
Benefits paid	(669,225)	(898,106)
Actuarial gain on obligation	<u>(1,394,261)</u>	<u>(1,404,125)</u>
Present value of funded obligations at- end of year	<u>22,637,594</u>	21,861,895

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

	2020 \$	2019 \$
Fair value of plan assets at beginning of year	20,189,898	19,863,976
Actual return on plan assets	59,647	(228,428)
Contributions - employer	1,134,101	1,128,075
Contributions - employee	305,829	324,381
Benefits paid	<u>(669,225)</u>	<u>(898,106)</u>
Fair value of plan assets at end of year	<u>21,020,250</u>	20,189,898

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

18 Employee benefits ...continued

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

	2020 \$	2019 \$
Net liability at beginning of year	(1,671,997)	(1,475,928)
Net expense recognised in the statement of comprehensive income	(938,774)	(938,901)
Contributions paid	1,134,101	1,128,075
Remeasurements included in the statement of other comprehensive income	(140,674)	(385,243)
Net liability at end of year	1,617,344	(1,671,997)

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

	2020 \$	2019 \$
Current service cost	789,285	810,048
Interest on obligation	1,744,071	1,689,793
Expected return on plan assets	(1,594,582)	(1,560,940)
Total included in employee expenses	938,774	938,901

The amounts recognised in other comprehensive income are as follows:

	2020 \$	2019 \$
Actuarial gain on obligation	1,394,261	1,404,125
Actual return on plan assets	59,647	(228,428)
Expected return on plan assets	(1,594,582)	(1,560,940)
Total included in other comprehensive income	(140,674)	(385,243)
	2020 \$	2019 \$
Actual return on plan assets	59,647	(228,428)

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2020

(expressed in Barbados dollars)

18 Employee benefits ...continued

Plan assets are comprised as follows:

	2020	2019
Mortgages	16%	16%
Bonds	54%	51%
Equities	17%	19%
Real estate	2%	3%
Current assets and liabilities	11%	12%
	100%	100%

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

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

	2020	2019
Discount rate at end of year	7.75%	7.75%
Expected return on plan assets at end of year	7.75%	7.75%
Future promotional salary increases	2.50%	2.50%
Future pension increases	0.75%	2.50%
Future inflationary salary increases	4.25%	4.25%
Future changes in NIS Ceiling	4.25%	2.50%
Mortality	GAM94	GAM 94

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

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18 Employee benefits...continued

Asset volatility

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

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

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

Changes in bond yields

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

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	19,726,472	26,324,578
Salary growth rate	0.5%	23,687,334	21,664,876
Life expectancy	1 year	23,621,166	—

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

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

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements
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(expressed in Barbados dollars)

19 Taxation

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

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

	2020 \$	2019 \$
Current tax	1,164	41,310
Deferred tax charge	237,459	153,167
	238,623	194,477

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

	2020 \$	2019 \$
Profit before taxation	3,301,700	3,872,820
Tax calculated at statutory rate of 5.5% (2019 - 5.5%/3%)	181,594	213,005
Effect of sliding scale of tax rates	—	(14,652)
Tax effects of the following:		
Tax effect of rate at which deferred tax asset is computed	—	5,993,421
Expenses not deductible for tax purposes	541,421	605,098
Movement in deferred tax asset not recognised	24,240	(8,055,773)
Prior year (over)/under provision - current and deferred tax	(49,093)	1,550,834
Income not subject to tax	(480,085)	(87,757)
Gain not subject to tax	30,245	—
Investment allowance	(9,699)	(9,699)
Taxation charge	238,623	194,477

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(expressed in Barbados dollars)

19 Taxation ...continued

The unrecognised deferred tax asset consists of the following components:

	2020	2019
	\$	\$
Accelerated tax depreciation	(4,224,906)	(6,417,437)
Unutilised tax losses (note 23)	21,383,387	23,220,887
Inventory provision	342,306	342,306
Pension liability (note 18)	1,986,590	1,671,997
	19,487,377	18,817,753
Deferred tax asset at 5.5% (2019 - 5.5%)	1,071,806	1,034,976

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

The deferred tax (liability)/asset recognised is comprised as follows:

	2020	2019
	\$	\$
Accelerated depreciation	(19,451,876)	3,577
Unutilised tax losses (note 23)	15,366,509	396,344
Unpaid interest	320,109	320,109
Pension liability (note 18)	(369,246)	—
Lease liability	448,892	—
	(3,685,612)	720,030
Deferred tax (liability)/asset at 5.5% (2019 - 5.5%)	(202,709)	39,602

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

The deferred tax liability solely to Barbados National Terminal Company Limited.

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

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20 Share capital

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

	2020	2019
	\$	\$
82,030 common shares	41,014,809	41,014,809

The shares are allotted as follows:

	2020 Number	2019 Number
Government of Barbados - common shares	61,913	61,913
National Petroleum Corporation - common shares	20,117	20,117
	82,030	82,030

21 Revenue

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

	2020	2019
	\$	\$
Crude oil	35,569,295	44,882,308
Natural gas - National Petroleum Corporation (shareholder)	12,952,778	10,547,826
	48,522,073	55,430,134

Downstream revenue - refined product sales is comprised of the following:

	2020	2019
	\$	\$
Fuel oil	119,091,430	187,463,051
Asphalt feed	7,848,499	6,163,922
Diesel and gasoline	236,972,850	230,149,045
	363,912,779	423,776,018

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22 Other (losses)/income

	2020 \$	2019 \$
Lease of property (note 17)	(488,000)	(488,000)
Interest income	361,025	537,607
Loss on disposal of property, plant and equipment	(80,502)	—
Other income	558,832	286,049
Amortisation of tank heels (note 10)	(310,231)	(297,772)
Miscellaneous expenses-other	(691,333)	—
	(650,209)	37,884

23 Tax losses

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

Tax losses related to the unrecognised deferred tax asset:

Year	Losses b/fwd. \$	Adjustment \$	Utilised \$	Incurred \$	Losses c/fwd. \$	Expiry date
2015	—	605,554	—	—	605,554	2022
2016	10,682,538	980,510	—	—	11,663,048	2023
2017	4,989,744	—	—	—	4,989,744	2024
2018	713,498	—	—	—	713,498	2025
2019	6,835,107	(4,945,589)	—	—	1,889,518	2026
2020	—	—	—	1,522,025	1,522,025	2027
	23,220,887	(3,359,525)	—	1,522,025	21,383,387	

Tax losses related to the recognised deferred tax (liability)/asset:

Year	Losses b/fwd. \$	Adjustment \$	Utilised \$	Incurred \$	Losses c/fwd. \$	Expiry date
2018	276,873	(41,914)	(21,169)	—	213,790	2025
2019	6,954,578	(119,471)	—	—	6,835,107	2026
2020	—	—	—	8,317,612	8,317,612	2027
	7,231,451	(161,385)	(21,169)	8,317,612	15,366,509	

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

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24 Expenses by nature

	2020 \$	2019 \$
Petroleum products	352,945,447	424,826,359
Staff costs (note 25)	15,863,448	15,117,881
Consulting and professional fees	864,541	1,799,078
Repairs and maintenance	3,832,438	1,435,519
Insurance	1,636,071	1,529,549
Utilities	632,701	624,999
(Write back of)/loss allowance for amounts due from associated company	(396,495)	2,550,406
IADB project expenses	2,627,155	—
Other	24,055,523	6,667,279
	402,060,829	454,551,070

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

25 Staff costs

Staff costs funded by the Group were as follows:

	2020 \$	2019 \$
Wages, salaries and bonus	11,890,307	11,443,344
Allowances	547,669	498,988
National Insurance	929,505	824,883
Pension expense	938,774	938,901
Medical and other costs	1,557,193	1,411,765
	15,863,448	15,117,881
Number of persons employed by the Group at year end	139	141

26 Key management compensation

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

	2020 \$	2019 \$
Salaries and other short-term benefits	1,477,652	1,766,428

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27 Holborn facilities costs

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

28 Contingent asset

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

29 Contingent liabilities

Bank guarantees have been entered into by the Group to provide security on the Barbados National Terminal Company Limited’s bank borrowings. The liabilities attached to these guarantees at March 31, 2020 amount to \$30,800,000 (2019 - \$30,800,000).

30 Other events

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

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

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

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

Barbados National Oil Company Limited

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31 Write-off of intragovernmental debt

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

	2019 \$
Due by related company	
National Petroleum Corporation	(19,527,841)
Government Institutions	
Barbados Revenue Authority	
(i) Value added tax	(29,513,231)
(ii) Excise tax	54,590,843
(iii) Duty advances	(7,996,208)
(iv) PAYE payable	4,459
(v) QEH payable	6,809,880
(vi) Corporation tax recoverable	(1,467,947)
Ministry of Finance, Economic Affairs & Investments	8,170,358
Ministry of Housing and Lands	772,667
Other	(6,097)
	<u>11,836,883</u>

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

32 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 entity and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. As of July 15, 2020, management was not aware of any significant adverse effects on the financial statements for the year ended March 31, 2020 as a result of COVID-19. Management will continue to monitor the situation and the impact on the entity.



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

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