BARBADOS NATIONAL OIL COMPANY LIMITED

ANNUAL REPORT 2022

ANNUAL REPORT
& AUDITED STATEMENTS

2022

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MISSION STATEMENT

“To create a diverse, optimised product portfolio by sourcing the best pricing and quality for energy solutions while maximising the benefits of renewable energy sources and ensuring our legacy operations of hydrocarbon product remains economical”

VISION STATEMENT

To be Barbados’ leading integrated energy company for the provision of innovative, reliable and affordable energy products and services.

INNOVATION IS KEY!

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

Ms. Karen Perreira

Corporate Secretary

Mrs. Donna Harris-Thornhill

Auditor

PricewaterhouseCoopers SRL

Board of Directors – Barbados National Oil Company Limited (BNOCL or the Company)

Mr. Victor A Fernandes – Chairman (Appointed July 1, 2021)

Mr. William Alexander McDonald – Chairman (Until June 30, 2021)

Dr. Asquith Thompson – Deputy Chairman, Representative of the National Petroleum Corporation

Mr. Jamar White, Representative of the Ministry of Energy & Water Resources

Ms. Averill Brathwaite, Representative of the Ministry of Finance & Economic Affairs

Mrs. Andria Shepherd-Payne

Ms. Stephanie Catling-Birmingham

Mr. Ross Maynard

Ms. Liesel Weekes

Dr. Erwin Edwards

Mrs. Collette Applewhaite

CORPORATE INFORMATION
CONTINUED

Board of Directors – Barbados National Terminal Company Limited (BNTCL or the Terminal)

Mr. Victor A. Fernandes – Chairman (Appointed August 1, 2021)
Mr. William Alexander McDonald – Chairman (Until June 30, 2021)
Mr. Herbert Yearwood – Deputy Chairman
Mr. Jamar White, Representative of the Ministry of Energy & Water Resources
Ms. Averill Brathwaite, Representative of the Ministry of Finance & Economic Affairs
Ms. Alexandra Daniel
Mrs. Andria Shepherd-Payne
Ms. Lasandra Bobb
Ms. Jamila Burgess
Mr. David Staples
Ms. Lana Trotman

Senior Management

Mr. James Browne – Chief Executive Officer
Mr. Ashley Bignall – Chief Financial Officer
Mr. Terrance Straughn – Chief Operations Officer
Mr. Ronnie Gittens – Group Human Resources Manager
Mr. Pedro Bushelle – Group Information Technology Manager
Mr. Damien Catlyn – Group Health, Safety, Security, Environmental and Quality Manager
Mr. Wesley Carter – Commercial Manager
Mrs. Carolyn Forde-Bryan – Internal Auditor
Mr. Kirk King - Operations Engineer, BNTCL

BOARD OF **DIRECTORS**

Mr. Victor A Fernandes
Chairman
BNOCL / BNTCL

Dr. Asquith Thompson
Deputy Chairman
BNOCL

Mr. Jamar White
BNOCL / BNTCL

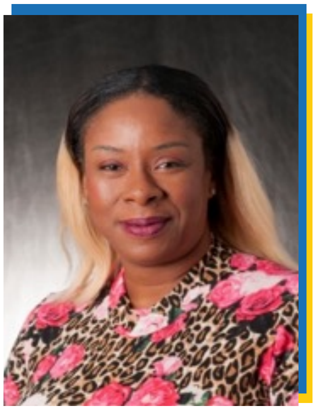
Mrs. Averill Brathwaite
BNOCL / BNTCL

Mrs. Andria Shepherd-Payne
BNOCL / BNTCL

Dr. Erwin Edwards
BNOCL

Mrs. Collette Applewhaite
BNOCL

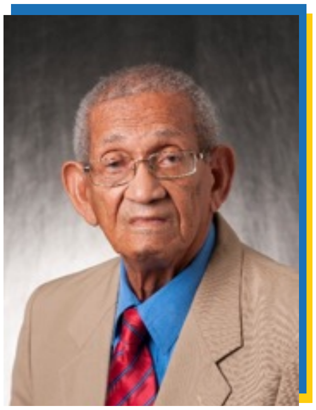
BOARD OF **DIRECTORS**
CONTINUED



Ms. Stephanie Catling-Birmingham
BNOCL

Ms. Liesel Weekes
BNOCL

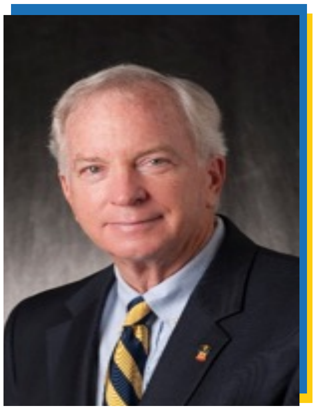
Mr. Ross Maynard
BNOCL



Mr. Herbert Yearwood
Deputy Chairman
BNTCL

Ms. Jamila Burgess
BNTCL

Ms. Alexandra Daniel
BNTCL



Mr. David Staples
BNTCL

Ms. Lana Trotman
BNTCL

Ms. Lasandra Bobb
BNTCL

MESSAGE FROM **THE BOARD OF DIRECTORS**

BNOCL's commitment to the people of Barbados

During the fiscal year ended 2022, when Barbados felt the effects of the COVID-19 pandemic, the global recession and worldwide challenge to reduce the effects of greenhouse gas emissions, the Barbados National Oil Company (BNOCL) remained true to its national commitment. The company fully supported the National Energy Policy and the people of Barbados, by providing quality energy products at affordable prices.

The effects of the Covid-19 pandemic followed by the Russia/Ukraine war resulted in significant logistical challenges, procurement issues and high prices for fossil fuels. Prices for gasoline, diesel, fuel oil and liquefied natural gas (LNG) increased by as much as 80 percent over the previous year. Furthermore when LNG's purchase price rose considerably following increased European and Asian demand for this product, BNOCL's suppliers gave priority to servicing those regions. This left a major economic gap and threatened the security of LNG supply to the country.

Despite these challenges, BNOCL's Board and staff remained committed to position BNOCL as one of the more dependable and dynamic energy companies within the region. There were no fuel supply outages and product supply cost was contained through strategic procurement and negotiations.

BNOCL remains committed to the national vision of Barbados becoming 100 percent carbon neutral by 2030. The Board and the staff see this paradigm as an opportunity to reshape, re-energize and re-assure Barbados that BNOCL is a company for the ages - existing to promote, support and fuel the economy, the Government and the citizenry of Barbados. In fact, BNOCL's commitment to work together with the Government of Barbados and its citizens is the main reason why its survival is critical.

Diversifying the portfolio

We have pivoted! From an exclusive oil producer to a diversified energy company.

Over the past few years, BNOCL and the Barbados National Terminal Limited (BNTCL) have sought to re-invent the organizations and restructure into a fully integrated, energy company. This transformation requires our traditional roles (oil exploration and production, terminal/bunkering and natural gas distribution) to be re-strategised to address the future needs of the country. Hence the need to rebrand.

The BNOCL Group will be built upon the tenets, objectives and goals of the Barbados National Energy Policy (BNEP); helping to establish the advancement of our nation's social and economic potential.

We need to Rebrand!

In order to complete the pivot it is necessary to realise the psychological shift where the staff and all stakeholders champion the diversified approach and the idea of a holistic energy company.

MESSAGE FROM **THE BOARD OF DIRECTORS**

BNOCL's commitment to the people of Barbados

CONTINUED

Rebranding; supports the thrust to becoming a fully integrated energy company, will overhaul the Company's image and revolutionise the business with an appeal to new demographics and philosophies thereby convincing the stakeholders that the new revitalised strategy will redound to success.

"What does an oil company know about renewable energy?"

Our focus has been gasoline, diesel, fuel oil, onshore crude oil and natural gas while the focus of the future includes solar, wind, battery storage, biofuels and offshore gas.

The Company has committed to invest in technology and human resources to sustain existing facilities, position for participation in the offshore oil and gas sector and deliver its renewable energy portfolio. Accordingly, BNOCL is adjusting itself to provide a diverse yet sustainable mix of energy solutions that are affordable, 'green' and accessible to all.

BNOCL will continue to level the playing field by making renewable energy products more affordable to the average citizen...while playing our role in limiting global warming to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius.

Challenges: Financial positioning for the present and the future

BNOCL is dedicated to meeting its stakeholders' expectations, but financial viability is essential to achieving the very aggressive government targets and goals. The exploitation of the offshore oil and gas will redound in economic success for the country. As nominated by the Cabinet of Barbados, BNOCL has the right to acquire up to 20% equity interest in the relevant Production Licence, with costs carried through the first molecule of hydrocarbon production. Therefore, BNOCL has the responsibility to be technically, financially and commercially prepared to participate at the negotiation table and to look after the general interest of the country. For instance, in the current blocks being explored by BHP/Woodside, BNOCL along with the Ministry of Energy and Business Development are seeking to keep pace with the geological and seismic analysis that will determine the commerciality of the reservoir and real value proposition to Barbados.

The Company's portfolio is diverse, but Company profitability in gasoline, diesel, fuel oil, heavy fuel oil, locally produced natural gas and LNG remains elusive. The philosophy where BNOCL subsidizes portfolios and carries the major capital cost for many of these portfolios has negatively impacted the fiscal base of the Company. The lack of adequate margins has adversely affected the working capital required to provide the necessary storage, especially in the hurricane and winter seasons.

MESSAGE FROM **THE BOARD OF DIRECTORS**
BNOCL's commitment to the people of Barbados
CONTINUED

The financial base of BNOCL was further eroded by the indebtedness of two customers who owed in excess of $36 million collectively for heavy fuel oil and natural gas sales. One of the receivables was subsequently written off and BNOCL is committed to more astute management of its receivables in the future.

Growth Opportunities

BNOCL will continue to support Barbadians in the supply of energy whether it is fossil fuel based or in the renewable energy sector. Renewable energies have continued to grow. Technologies are approaching grid parity in many parts of the world and now represent a significant percentage of new electrical installations globally. BNOCL's core competencies emanate from the exploration and production of fossil fuels and the strategic approach has reverted to joining forces with private and public entities to meet Government's aggressive targets. Hence, strategic alliances and joint ventures (JVs) have become an integral part of BNOCL's corporate, regional and global strategic roll out. For example, BNOCL, Williams Caribbean Capital and EMERA Renewables Inc are collaborating to construct two separate 10MW projects.

We have found that cooperating with other entities facilitates access to new resources, new markets and technological capabilities. Furthermore, cooperation reduces both execution and financial risks, and enhances market power. In fact, these collaborations have assisted BNOCL in owning over 14 MW of grid-tied solar facilities under its portfolio to date and in the future we anticipate further growth through continual JV alliances with other companies.

In aligning itself with central government's policy to give opportunities to small businesses, BNOCL has endeavoured to utilise these enterprises to assist in the roll out of its renewable energy initiatives while developing the renewable energy business and construction capacity within the nation.

Furthermore, the opportunities to grow these businesses are very possible with local and regional prospects. In February 2022, a BNOCL contingent attended the Guyana Energy Conference and examined business opportunities in sand and natural gas importation, bitumen exportation, solar installations and aggregates exploration. BNOCL remains committed to assisting Barbadians as it delivers products at the best price. One key discussion on this trip was BNOCL's involvement in the importation of sand where the Company's goal is to reduce the CIF cost of sand.

Onshore exploration and production remain paramount and BNOCL has invested in producing more local crude and natural gas; we cannot anticipate the US$100/barrel to last forever.

MESSAGE FROM **THE BOARD OF DIRECTORS**

BNOCL's commitment to the people of Barbados

CONTINUED

Likewise, the Company and the Ministry of Energy and Business Development are heavily invested in the development of the offshore exploration of crude oil and natural gas and anticipates a game changer for the offering of additional blocks to major players in the market. The technical staff of each entity will be busy in the upcoming months in interpreting the seismic 3D data which will determine the commercial viability of this sector.

BNOCL remains aligned with the Government of Barbados and committed to the citizens of Barbados in providing all energy products at the best available prices in the renewable energy or fossil fuel space.

Even with the challenges that are before us, the Board and staff are determined to better serve all communities and anticipate a better 2023.

Sincerely yours

Victor Fernandes

Chairman - BNOCL Group of Companies

BNOCL

CORPORATE PROFILE

The Barbados National Oil Company Limited, (a continuation of Mobil Exploration Inc. after they ceased onshore exploration and production operations in Barbados) was established on January 17, 1986.

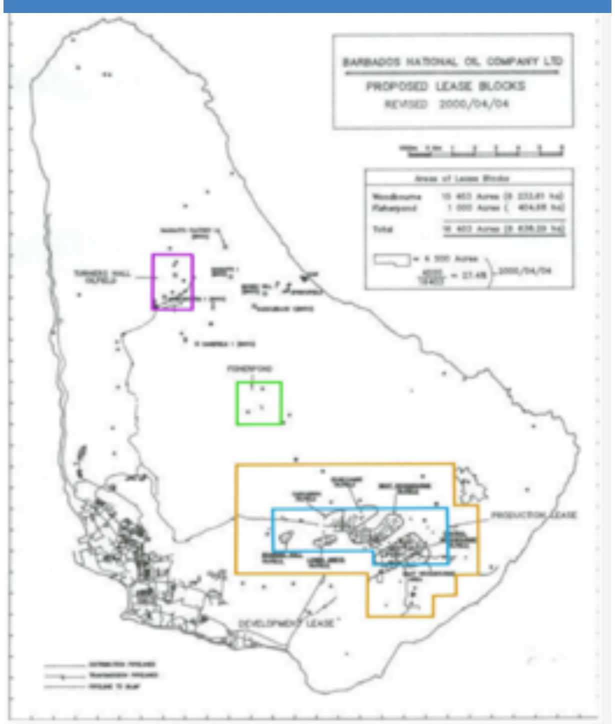
The Company's legacy business is the economic exploration and production of the country's hydrocarbon potential onshore Barbados. Its portfolio is equally supported by its trading and marketing division which seeks to ensure that energy products are supplied to the country at the most competitive prices 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 fuels, thereby decreasing the demand for foreign exchange, and minimising the adverse impact on 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.

FIGURE1: **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 Jamaica.

The crude was sold to Petrotrin, Trinidad until September 2018 where it was refined at Point-a-Pierre Refinery under a Processing Agreement.

CORPORATE PROFILE
CONTINUED

BNOCL has a 30.4% equity interest in an associated company, Asphalt Processors Inc.

The BNOCL Group comprises three (3) wholly owned subsidiary companies:

- **Barbados National Oilfield Services Limited (BNOSL)** was incorporated in 1998 to provide the services of Operator under a Production Sharing Contract (PSC). Subsequent to the conclusion of that PSC in 2004, BNOSL was retained to execute the exploration and production activities on behalf of the parent company.

- **Barbados National Terminal Company Limited** 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, Rubis and SOL. BNTCL commenced operations at Needham's Point Facility in St Michael. It currently operates from its state-of-the-art terminal at Fairy Valley, Christ Church, which was constructed in 2004.

  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.

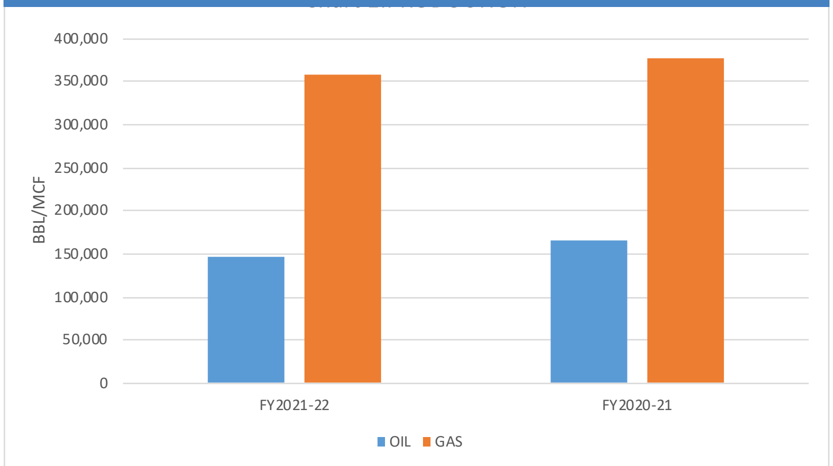
- **Barbados National Oil Holding Company Limited (BNOHCL)** manages certain real estate assets owned by the Group.

TECHNICAL OPERATIONS OVERVIEW

CRUDE OIL & NATURAL GAS PRODUCTION (CHART 1 BELOW)

Oil and gas production decreased moderately by 11% and 5% respectively in comparison to the previous fiscal year as depicted in chart 1. The financial year 2021-2022 was impacted by the COVID-19 pandemic as was the previous fiscal year. In the absence of new production or production additions from Enhanced Recovery work, efforts were made to mitigate production decline by aggressively producing shut-in temporarily abandoned wells. The contribution of this category of wells to oil production, as well as that of swing gas wells to meet increasing gas demands prevented more significant declines in oil and gas production:

CHART 1: **PRODUCTION**

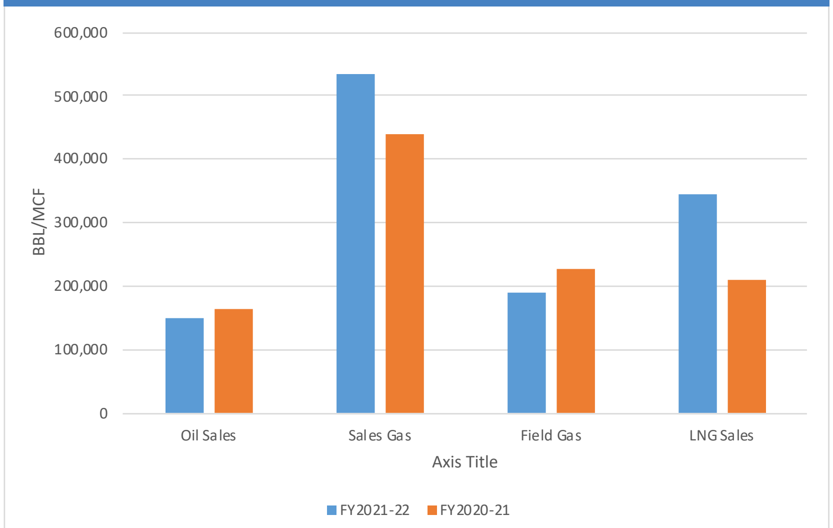


CRUDE OIL & NATURAL GAS SALES (CHART 2 - TOP OF PAGE 15)

Crude oil sales for the financial year 2021-2022 of 150,604bbls represent an 8% reduction when compared to the financial year 2020-2021 (Chart 2). This reduction is commensurate with the reduction in crude oil production of 11%. Marketable Natural Gas increased in response to the relaxation of COVID-19 protocols which impacted positively on travel, tourism and domestic activity. Gas sales in financial year 2021-2022 increased by 22% in comparison to the previous financial year, with LNG sales increasing by 64% while Field Gas sales fell by 17%. Since 2016 Natural Gas sales have been a mixture of regasified imported liquefied natural gas (LNG) and gas produced by BNOCL's wells referred to as Field Gas. In financial year 2020-2021 Field Gas contributed 52% of Gas Sales with LNG contributing 48%. In financial year 2021-2022 the contribution of Field Gas fell to 35% while LNG's contribution increased to 65%. The reduction in the contribution of Field Gas to sales is in keeping with the reduction in gas production. As a direct consequence increasing quantities of imported LNG were required to satisfy the demand of the customers of the National Petroleum Corporation (NPC):

TECHNICAL OPERATIONS OVERVIEW
CONTINUED

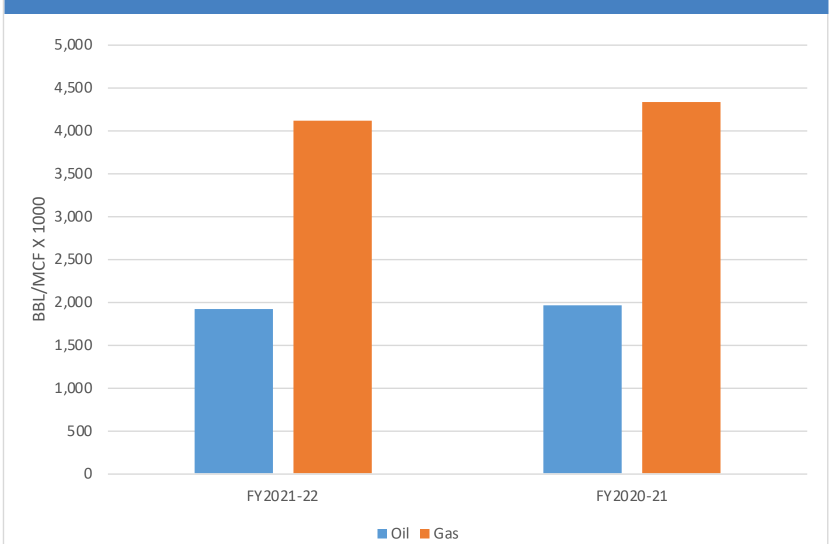
CHART 2: **PRODUCTION**



RESERVES (CHART 3 BELOW)

At March 31, 2022 crude oil reserves were assessed at approximately 1.91MMbbls and gas reserves at 4.11BCF – a reduction of 3% and 5% respectively when compared to the assessment a year ago of 1.97MMbbls and 4.32BCF gas (Chart 3). These small changes are the result of a year with little activity i.e no drilling, few recompletions and no enhanced recovery work.

CHART 3: **RESERVES**



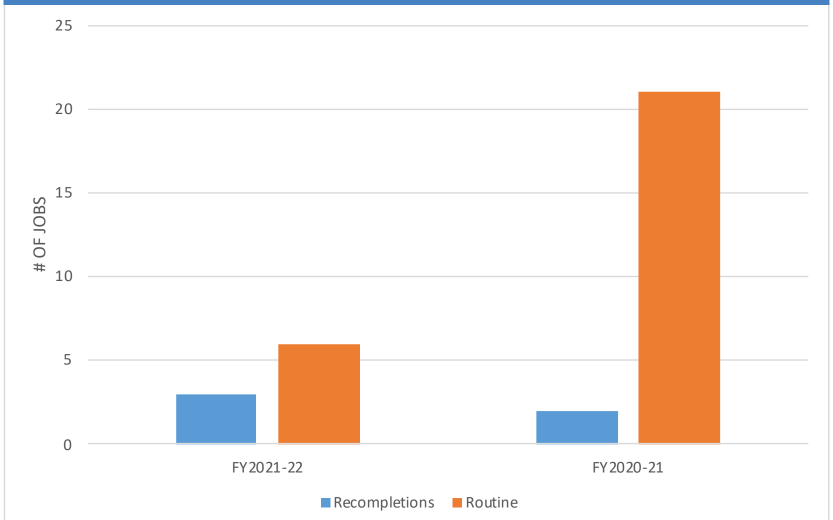
TECHNICAL OPERATIONS OVERVIEW

CONTINUED

WORKOVERS

During the financial year 2021/22 a total of nine (9) workovers were performed – three recompletions and six routine workovers (Chart 4). The performance of recompletions is important as this work will be the primary feed for the Enhanced Recovery Programme. Trinidadian company, TN Ramnauth and Company Limited (TNRCL), purchased Baker Hughes' Pumping Equipment and commenced the repairs and rehabilitation of the pumping equipment. This equipment was tested and found to be operational and ready for service in January, 2022. It is expected that the Enhanced Recovery Work will commence early in the financial year 2022-23 once the required tools and personnel are available, and a contract is signed.

CHART 4: **WORKOVER ACTIVITY**



TRAINING

During the financial year 2021-22 two (2) HSSE related courses were attended by members of the Engineering and Wireline Departments. All members were required to undergo Progressive HSE Solutions' Professional Driver training over a 2 day period. This course was in-person in nature with theoretical and practical elements. With the BNOCL SCADA Implementation Project expected to be completed in the first quarter of the financial 2022-23, the technical staff attended the two day SCADA Control Room Operator training facilitated by contractor Control Technologies Limited – this training was in-person.

TECHNICAL OPERATIONS OVERVIEW
CONTINUED

OFFSHORE ACTIVITY

BNOCL has a long history of onshore hydrocarbon exploration and production, however the potential of offshore exploration and production, with the added complexity of Deep Water (DW), will pose a substantial change to BNOCL's work activity.

Currently, BHP Billiton holds the exploration licenses for the Carlisle Bay and Bimshire offshore blocks. As designated by the government of Barbados, BNOCL has the right to acquire up to 20% equity interest in the relevant Production Licence, with costs carried until first production. Consequently, BNOCL has a mandate to responsibly and diligently execute the Government's carried interest.

Towards this end BNOCL will seek to transform itself to a "quality partner" in offshore to deliver maximum value to the Joint Venture, the GOB and the country.

During the 2021-2022 period, a number of developments occurred in the offshore, in furtherance of the exploration activity, as follows:

- BHP concluded its second season Environmental Baseline Study (EBS)
- The company completed its 3D seismic acquisition programme
- Internships for 3 Barbadians were held in the areas of seismic acquisition, Protected Species Observers and Passive Acoustic Monitoring

BNOCL in support of these activities maintained its representation on the Management Committee (Mancom) for offshore Exploration licenses, keeping abreast of the developments, budgeting, training and local content concerns. The Mancoms are held twice a year and BNOCL attended all meetings over the period.

As part of its commitment to cooperation and staff development, BNOCL participated in offshore seismic training hosted by BHP Billiton. Additionally, through BNOCL's seat on the Offshore Petroleum Advisory Committee, the Company made contributions to the local development training plans, spearheaded by the Ministry of Energy, outlining a number of priority areas as follows:

- Geophysics and Geoscience
- HSSE standards in offshore oil and gas
- Offshore and Deepwater subsea operations and equipment
- Petroleum economics
- Reservoir Engineering
- Environmental and Oil and Gas Law and contracts

TECHNICAL OPERATIONS OVERVIEW
CONTINUED

ONSHORE DEVELOPMENTS

BNOCL continued to strive to increase oil and gas production during the 2021 to 2022 year, entering into a tender process to select a consultant to undertake a reservoir study of the Woodbourne field. The study aims to identify the most suitable fluid and reservoir groups for injection and assess the reservoir and subsurface risk, commercial feasibility and best work programme for a secondary recovery pilot in the Woodbourne field.

The Secondary recovery project, will seek to increase oil and gas recovery by injection of a suitable medium into the reservoir thereby stimulating and increasing production rates and levels.

The reservoir study in addition to informing the planned secondary recovery project will also improve the existing geologic model to identify new exploration, infill and outstep drilling locations.

In alignment with the GOB 2030 goals, the Company has sought to promote and use RE solutions in its business model. Towards this end, BNOCL pursued the potential of technologies to convert oil and gas wells for use in geothermal and other renewable energy applications. In November 2021, BNOCL was awarded grant funding through the Department for International Trade (DIT) of the British High Commission, to select a UK based consultant to perform a technical study, aimed to investigate the feasibility of repurposing BNOCL oil wells for clean energy technologies.

INFORMATION & TECHNOLOGY OVERVIEW

The budgetary period of 2021-2022 was very challenging for the Information Systems (I.S) Department as it was for most business units within BNOCL and BNTCL. However, the staff within the Department must be complimented as they continued to ensure the BNOCL and BNTCL environments continued to remain accessible to all employees.

PROJECTS

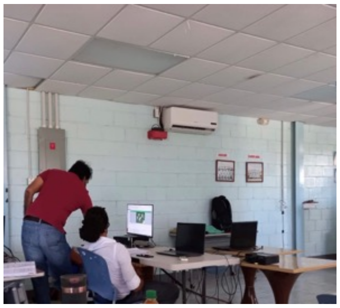
Through the 2021-2022 budgetary period and despite the country battling a pandemic, the Department remained committed to ensuring the Companies' goals were met through the undertaking of various tasks.

1. The Website Upgrade Project was completed within the period and the Department provided technical support to the external contractor and the Marketing Department. This collaboration went smoothly and ensured the project came to fruition successfully.
2. The KRONOS Human Resources, Payroll and Time and Attendance software was also upgraded from version 7 to the more current 8.1 during this period. The Department provisioned the servers and worked with the external contractors to ensure the upgrade process went as smoothly as possible. Staff was trained with the Go-live date set for April, the beginning of the new financial period.
3. Training was conducted for the Operations and Administrative Departments with the view to ensuring improved efficiency as it relates to preventative maintenance.
4. The usage of the System Application and Product in Processing (SAP) Software was extended to BNTCL within the period. The Go-Live date is set for June 1, 2022.
5. The Department also worked with external contractors to ensure the successful implementation of the Supervisory Control and Data Acquisition (SCADA) project. This project is geared towards improvement of monitoring the oil and gas networks between the BNOCL, BNTCL and the NPC.

TRAINING

The SCADA implementation resulted in a comprehensive training program due to the importance of the project to the people of Barbados. This training included technical teams from the BNOCL, BNTCL and the NPC.

INFORMATION & TECHNOLOGY OVERVIEW
CONTINUED




SCADA TRAINING in BNOCL's cafeteria

NEW SERVER ROOM

The Administration and HSSEQ Departments worked hastily to ensure the building of a new server room as a result of concerns highlighted by a risk analysis. Once completed, the I.S Department team worked meticulously to ensure all servers were safely transported and installed in the new location with minimal impact to downtime across the Companies.

The design of the server room took into consideration the pandemic and the protocols required to ensure staff remains safe.

WELCOME BACK

The I.S Department welcomed back Dave St. Hill who was temporarily transferred to the Project Execution Unit (PEU) Unit based at NPC. Mr. St. Hill worked with the BNTCL at the Needhams Point location until the Company was moved to Fairy Valley Christ Church. His substantive post is the Network Administrator at the Company.

CYBER SECURITY

The I.S Department continues to take the increased probability of cyber-attacks seriously. During the 2021-2022 period, the Company did not experience any significant events thus loss time was zero.

Cyber threats increased significantly during the COVID-19 Pandemic and the I.S Department will continue to keep all employees informed as to the increasing sophisticated methods employed by bad actors. This is a continuous battle and all efforts will be made to ensure the Companies' information and communication technology environment remain safe for all.

For the period 2022-2023 there will be a continuation of improvements to business processes facilitated by information and communication technologies to ensure that the Companies become more agile in this ever changing landscape. Additionally, all employees will be undertaking continuous cyber awareness sessions as the chain is only as strong as its weakest link.

MARKETING OVERVIEW

Oil prices on the World Market continued an upward rise for most of the fiscal period April 2021 to March 2022; reaching as high as US$127 per barrel, as shown in Exhibit-OP below.

EXHIBIT-OP WORLD CRUDE OIL PRICES (BRENT) - **APR2021** TO **MAR2022**

During the fiscal period April 2021 to March 2022, BNOCL's imports of gasoline increased by 17% whilst there was a decrease for diesel of 1%, compared to the previous year. In addition, the Company's heavy fuel oil (HFO) import quantities increased by 49%.

In relation to Liquefied Natural Gas (LNG), imports increased by 65% compared to 2021, as a result of increased demand in the residential and commercial sectors. Therefore, on average, 30 containers of LNG were re-gassed each month at the Woodbourne Plant.

BNOCL continued the acceleration of the commercial impetus within the renewable energy space in an effort to support the goal enunciated in the Barbados National Energy Policy (BNEP) of creating a 100% carbon neutral State by 2030.

The Company also broadened its scope and activities within the portfolio of corporate social responsibility.

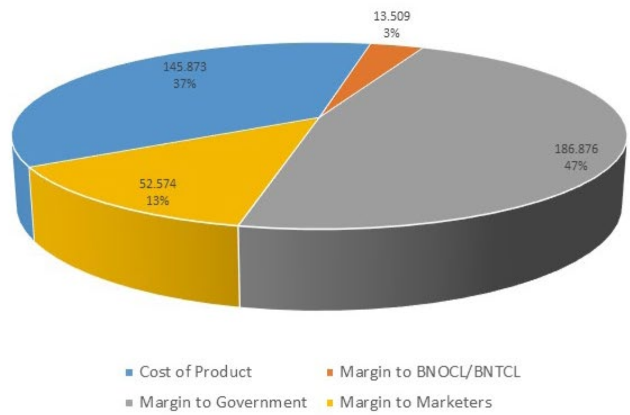
Gasoline

For the year under review, the amount of gasoline imported increased by 17% from 543,795 barrels in 2021 to 636,867 barrels. During the year under review, the maximum and minimum purchase prices for gasoline were BD$266 and BD$198 per barrel, respectively. However, the average purchase price of this product was BD$226 per barrel.

MARKETING OVERVIEW
CONTINUED

As noted in Chart 5, at March 31, 2022 the retail price of gasoline was BD$3.99 per litre, reflecting a 12% increase compared to 2021. Of that price, 36.6% represented the cost of the product, 46.9% represented Government taxes, the marketers' margin accounted for 13.2% and the Company's storage fee and margin accounted for 3.4%.

CHART 5: **GASOLINE - BREAKDOWN OF BENEFICIARIES OF RETAIL PRICE**

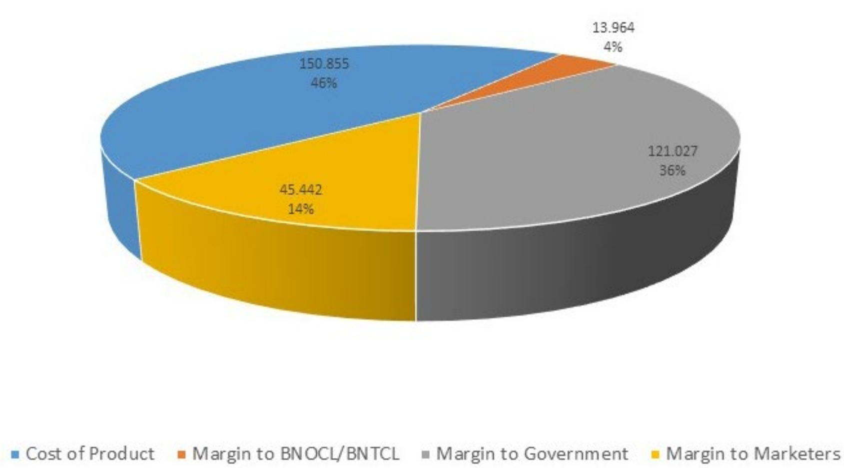


Ultra-Low Sulphur Diesel (ULSD)

In the year under review, 449,616 barrels of ULSD were imported at an average price of BD$230 per barrel. In comparison, 454,420 barrels of diesel were imported during 2021. The maximum and minimum purchase prices for ULSD were BD$284 and BD$187 per barrel, respectively.

As noted in Chart 6, at March 31, 2022 the retail price of ULSD was BD$3.31 per litre, reflecting a 17% increase compared to 2021. Of that price, 45.5% represented the cost of the product, 36.5% represented Government taxes, the marketers' margin accounted for 13.7% and the Company's storage fee and margin accounted for 4.2%.

CHART 6: **DIESEL (ULSD) - BREAKDOWN OF BENEFICIARIES OF RETAIL PRICE**



MARKETING OVERVIEW
CONTINUED

Heavy Fuel Oil (HFO)

During the fiscal period under review, BNOCL imported 1,186,030 barrels of HFO, or 389,344 barrels (49%) more than the previous year's imported quantity. Of the total imported during the current year, 596,079, 183,989, and 43,367 barrels were supplied from Novum Energy's depot in Puerto Rico, Vitol in St. Eustatius, and Suriname respectively.

As much as 90% of HFO imported into the domestic market was consumed in power generation, while asphalt production used 6%, with the remainder being used for bunkering, industrial and manufacturing purposes.

Importation of Liquefied Natural Gas (LNG)

During the fiscal year, BNOCL imported 402 cryogenic ISO containers, which amounted to 4,017,687 gallons (or 332,040 MMBtu) of Liquefied Natural Gas (LNG), to supplement domestic, commercial and residential demand. This amounted to an increase of 65% over the quantity of product imported in the previous fiscal year. Typically, the capacity of a container is 10,000(+10%) gallons. The USA based company; New Fortress Energy supplied 99.5% of the imported gas.

RENEWABLE ENERGY SEGMENT – COMMERCIALISATION INITIATIVE

Transition Period

In the early stages of the year, a new Business Development Officer joined the Commercial Team. This led to a transition period, where an assessment was made of the current state of the business and areas requiring improvement. Over the first quarter of the fiscal period under review, a process flow for "Commercial Solar PV Proposal Development" was designed, and implemented. This assisted in streamlining the process and ensuring delivery of high quality proposals to our clients. The Renewable Energy Department introduced RETScreen, a software tool, to conduct the financial analysis of the PV systems that were being proposed to clients.

New contracts were developed for particular modalities; namely: cash, lease and royalty options, to ensure good business practice and to be up to date with industry standards. The development of the new contracts saw a shift from BNOCL offering leases on residential systems to being able to offer cash contracts and work alongside financial institutions to delivery our products and services to market.

Solar PV (Residential & Commercial)

Over the 12-month period, total wholesale PV equipment sales amounted to $460,878. This was mainly through the sale of solar PV modules to the public. The sale of residential PV systems contributed approximately $500,000 over the year. BNOCL was able to add 54 new customers during the period. While on the commercial side of the business, much interest was generated from potential clients for BNOCL's agrosolar solution, rooftop solar, and ground mount solar systems. The total signed contract value over the year was $3,889,242, comprising both cash and royalty contracts.

New Products

After extensive research and consultation, BNOCL adopted the Growatt brand of inverters for its PV installations. The Growatt brand is synonymous with high quality at affordable prices.

BNOCL also adopted the Ecoflow portable battery solution. This line of products was well-received by customers in the domestic market, given wide and varied applications for which the batteries are suited.

RESEARCH & DEVELOPMENT – "TRANSITIONAL FUELS"

Biodiesel

Over the course of the year, the Commercial Team held numerous meetings with various companies and experts in the Biodiesel field. This was undertaken, in order to garner the necessary knowledge to enable the Team to commence a pilot project aimed at testing different blends of biodiesel, in various types of vehicles and thus provide evidence to support the use and uptake of biodiesel in Barbados as a transitional fuel. Until the electrification of both private and public vehicle fleets is achieved from renewable energy sources, there is need for the use of transitional fuels in the transport sector to assist in reducing carbon footprint.

Battery Storage

As BNOCL transitions to an "energy" provider, it is imperative that the Company be at the forefront of storage within the industry. BNOCL has a rich history of fossil fuel storage and distribution through its subsidiary company BNTCL. Many of the renewable energy sources that will be adopted by Barbados in the future are not "dispatchable" due to their fluctuating nature. The variability of these energy resources provides a fantastic opportunity for storage to play a vital role in Barbados' energy construct. With this backdrop, BNOCL has been working with battery manufacturing companies to develop and deploy a hybrid PV system with Lithium Ion batteries at the Woodbourne location. BNOCL engaged the expertise of two companies and its internal expertise to develop a business case of storage at Woodbourne. After numerous discussions and analysis, BNOCL will be ready to deploy a storage solution by the fourth quarter of 2022. Once deployed, an assessment will be undertaken, with the aim of replicating and improving the viability of storage in the Barbadian context.

CORPORATE SOCIAL RESPONSIBILITY AND PROMOTIONS

BNOCL continued its Corporate, Social, and Responsibility programme during the fiscal year under review by supporting diverse interest groups within the Community. The BNOCL Group participated in the Warrens Business Expo, which was hosted by Ministry of Energy, Business Development and International Business.

In collaboration with Tradewind Tankers, owners of BNOCL's contracted time-charter vessel for the transport of imported products, funds were provided for the purchase of laptops that were eventually donated to the St. Bartholomew Primary School.

CAPTION

L-R: Carlos Panek of Tradewind Tankers, Parent - Shameka Merritt, Senior Teacher - Mr. Carrington, Marketing & PR Officer of BNOCL - Samantha Hazlewood-Ermay, Commercial Manager of BNOCL - Wesley Carter, Director of BNOCL - Collette Applewhaite and Mikel Panek of Tradewind Tankers. Students - Shakiiya Merritt and Christopher Wall.

BNOCL also provided financing to the Blackman and Gollop Primary for the purchase of whiteboards to be installed in various classrooms at that school.

To assist with enhanced Wi-Fi access, the Company donated a set of dongles to a team of health workers, engaged in the fight against COVID-19 across communities in Barbados. BNOCL has pledged to top up the dongles for a period of 6 months. Dr. Moore was extremely grateful for the gesture and articulated that this would help the team immensely.

CAPTION

Dr. Hilary Moore accepting the dongles from Health & Safety Manager - Damian Catlyn. In the foreground are volunteer, Carol Prescod and Dr. Kristie-Anne Evelyn.

During the fiscal year under review, the Group donated a 10-kilowatt solar photovoltaic system to the Red Cross Society, to assist the beneficiary in the effort to reduce the energy consumption bill at its headquarters. Eventually, the photovoltaic system was connected to the National Grid during February of the fiscal year.

The neighbouring island of St. Vincent was impacted severely, by the La Soufriere Volcano eruptions, during

MARKETING OVERVIEW
CONTINUED

the fiscal year under review. BNOCL contributed to the restoration effort by sending non-perishable items to the citizenry of St. Vincent and the Grenadines.

The Group continued its support of National sporting events during the year, by sponsoring the Geoffrey Burke Zone at the Barbados Secondary Schools Athletic Championship. This was a conscious decision taken in support of youth development and the promotion of healthy living.

CAPTION

Renewable Energy Technician - Mr. Rene Bradshaw, handing over a hamper to Office Assistant - Ms. Monica Clayton, in foreground, Group HR Manager - Mr. Ronnie Gittens and BRCS Disaster Management Officer - Mr. David Griffith, Youth Director - Mr. Tremaine Rouse and Director General - Ms. Danielle Toppin

HUMAN RESOURCES OVERVIEW

The financial year 2021 to 2022 was a challenging year for BNOCL as both the Company and the country navigated the COVID-19 pandemic environment. The staff returned to work with new safety protocols and policies intended at creating a safe working environment. However, given the fact that COVID-19 was in the general environment, it was impossible to be truly insulated from the effects of the virus. As a result, there were several disruptions after the resumption of work as protocols demanded specified isolation periods that caused several persons to be away from work and sometimes for extended periods.

The staff must be commended for the efforts they put in to minimize the impact of the disruption during this period. Persons willingly put in the additional effort when there were instances of man-power shortages. Additionally, the staff responded positively to the option of working from home to ensure the support services were always available to minimize any disruption to the operations.
On behalf of the Management Team, the Human Resources department expresses a special thank you to all members of staff.

STAFF APPOINTMENTS & CHANGES

This year has been a period of further growth and changes to the structure of the BNOCL Group.

Welcome

Operations Department:

In November 2021, the Company welcomed Mr. Kirk King in the post of Operations Engineer. Mr. King is responsible for the management of terminal activities at BNTCL.

Engineering & Maintenance Department:

Mr. Trevon Charles joined the Engineering & Maintenance Department at BNTCL in the role of Electronic & Instrumentation Technician during July 2021.

Marketing Department:

Mr. Justin Maloney joined the Company through its Summer Internship Programme. Through his diligent work ethic, he was subsequently hired when the vacancy for a Business Analyst was made available in the Marketing Department in March 2022.

Promotions

Operations Department:

We offer congratulations to Mr. Terrance Straughn who was promoted from Terminal Superintendent at BNTCL to Chief Operations Officer in December 2021, with responsibility for the operations across the BNOCL Group.

HUMAN RESOURCES OVERVIEW
CONTINUED

Marketing Department:

Congratulations are in order for Mr. Wesley Carter, who was promoted to the post of Commercial Manager in December 2021, with responsibility for the strategic management of the Company's commercial and marketing strategies.

Staff Appointments

Ms. Issabi Cobham joined the Company as an intern who transitioned to a temporary employee within the Finance Department. In November 2021, Ms. Cobham was offered a permanent appointment to the post of Accounts Clerk.

In June 2021, Mrs. Latricia Carter-Wharton was appointed to the post of Purchasing Assistant in the Finance Department of BNTCL.

There were three persons seconded from National Petroleum Corporation (NPC) who were appointed to the staff of BNOCL during the financial year. These appointments were offered to be effective January 2022:

Mr. Damien Catlyn was appointed to the post of Group Health, Safety, Security, Environmental and Quality (HSSEQ) Manager of the HSSE Department.

Ms. Karen Pilgrim was appointed to the post of Inventory Controller of the Warehouse Department.

Ms. Paula Gittens was appointed to the post of Procurement Officer in the Procurement Department.

Final Farewell

The Group grieved the passing of Ms. Gail Atherley in October 2021. Ms. Atherley was the Administrative Assistant at BNTCL, having served for over twenty-three years at the Company. May she rest in peace.

Retirees

The Production Department bade farewell to two of its stalwarts during this period. Mr. Fitz Larrier was a Roustabout in the Production Department for over twenty-one years before he retired in October 2021. Mr. Cherald Bridgeman was a Driver/Operator when he retired in January 2022, having served the Company for over thirty-eight years.

The Company bade farewell to Mr. Charles Gamble in January 2021. Mr. Gamble was a Terminal Technician with over twenty-four years of service with BNTCL.

HUMAN RESOURCES OVERVIEW
CONTINUED

The BNOCL Group would like to thank them for their service and wish them good health as they enter a new phase in their lives.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

BNOCL / SJPI Scholarship

Barbados National Oil Company Limited (BNOCL) maintained its commitment to the Memorandum of Understanding (MOU) with Samuel Jackman Prescod Institute of Technology (SJPI), through the mandate of “Energy for Poverty Alleviation”.

The students continuing to second year, achieving a grade point average of 3.0 or above, became eligible to maintain their financial support. We are pleased to report that all of the continuing students exceeded the requirements and the seven students that were moving on from the first year were all rewarded for their efforts during the previous semester.

The Company also remained committed to assisting the development of the students by offering several internships during the semester break. The two top-performing students from the scholarship program were rewarded with an internship in their area of interest, and both persons were attached to the Renewable Energy department. This provided the opportunity for the students to hone the development of their skill while offering the Company the opportunity to have a closer view of the available talent.

HUMAN RESOURCES OVERVIEW
CONTINUED

HAPPY RETIREMENT!

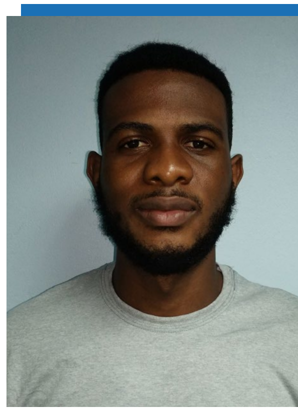
Mr. Charles Gamble
Terminal Technician

Mr. Cherald Bridgeman
Driver / Operator

Mr. Fitz Larrier
Roustabout

WELCOME ABOARD!

Mr. Justin Maloney
Business Analyst



Mr. Trevon Charles
Electronic & Instrumentation Technician

Mr. Kirk King
Operations Engineer

WELCOME ABOARD!

Issabi Cobham
Accounts Clerk

TERMINAL OVERVIEW

This annual report informs and updates pertinent details relating to Key Performance Indicators (KPIs) of the terminal and strategic and operational initiatives initiated, continued or accomplished during the financial period of April 2021 to March 2022.

HEALTH, SAFETY, SECURITY, ENVIRONMENTAL (HSSE) MANAGEMENT

As the COVID-19 pandemic continued to severely impact the health of the Barbadian society, with increasing deaths and home isolations, the terminal ensured that its risk mitigation strategies and protocols were fully enforced to limit any spread among its workforce, which could have severely impacted the ability to conduct its operations safely and efficiently. With increasing daily cases reaching hundreds, especially during the August to December period, only three positive cases were reported among the staff. The terminal implemented its business continuity plan and reduced the operating hours to 10 hrs instead of the normal 24 hrs. This allowed the Company to manage numbers of personnel on any one shift and in the shared spaces, thereby reducing the risk of rapid spread that would have caused more significant disruption. As a further contingency, all staff and security members were tested. As stated earlier in the report, one staff member, Mrs Gail Atherley, a long-standing member of the terminal inception, succumbed to Covid-19 in October. May she rest in Peace.

The gradual lifting of COVID-19 restrictions and protocols led to increasing social and economic activity, leading to increased use of energy products, which invariably meant an increase in operational activity for the terminal returning to pre-covid times. While there was an increase in operational risk activities of tanker discharge, pipeline transfers and truck loading operations, the BNTCL team remained steadfast. It focused on ensuring that there were no accidents nor incidents during this time. Consequentially, the terminal achieved 1000 days without any injuries leading to lost time. This was the third occasion that the terminal could achieve such a goal. While staff dedication, focus and commitment were integral in achieving this milestone, training in various critical areas to enhance safety knowledge and culture of safety was equally important. During the period, training was focused on assessing and certifying personnel in comprehensive industry safety best practices relating to working at heights, confined spaces and administration of work permitting systems and defensive driving.

Moreover, the release of the sixth edition of International Safety Guide for Oil Tankers and Terminals (ISGOTT6) which contains the best industry standards, required personnel to be trained and assessed in the new revisions and requirements of the standard. All personnel were successfully trained in the various courses. Additionally, inspections were completed to ensure conformance to the Safety At Work Act and identification of work-related hazards saw an average compliance of approximately 75%, which is commendable.

TERMINAL OVERVIEW
CONTINUED

CAPTION

Mr Wayne Hoyte accepted his token of appreciation from CEO, Mr. James Browne, to achieve 1000 days without a lost-time injury.

Regarding environmental management, both land-based and marine operations were conducted without any spills due to continuous assessment of risk mitigation measures and stringent operation procedures. The ashfall in April from the Soufriere volcano in St. Vincent, and the passing of hurricane Elsa in July had a minimal impact on the terminal operations, with minor damage inflicted on the roof of the old, abandoned maintenance containerized building. Derelict assets and mold were also removed from the building to improve indoor air quality. The commitment to the preservation of environmental excellence was further exemplified with the monthly average for total petroleum hydrocarbon in effluent water disposed of by the terminal being well below the industry requirements of 5ppm. Additionally, independent external biannual testing of groundwater monitoring wells along the various pipeline routes showed no traces of hydrocarbon in the water, which indicates that there is no possibility of seepage from the pipelines.

Finally, there were no security breaches during the year. This is a result of the continuous professional and dedicated service rendered by the security service provider. This is quite significant when almost every workforce was impacted by COVID-19, the ashfall and hurricane Elsa. All Key Performance Indicators for HSSE for the terminal were met for the financial year.

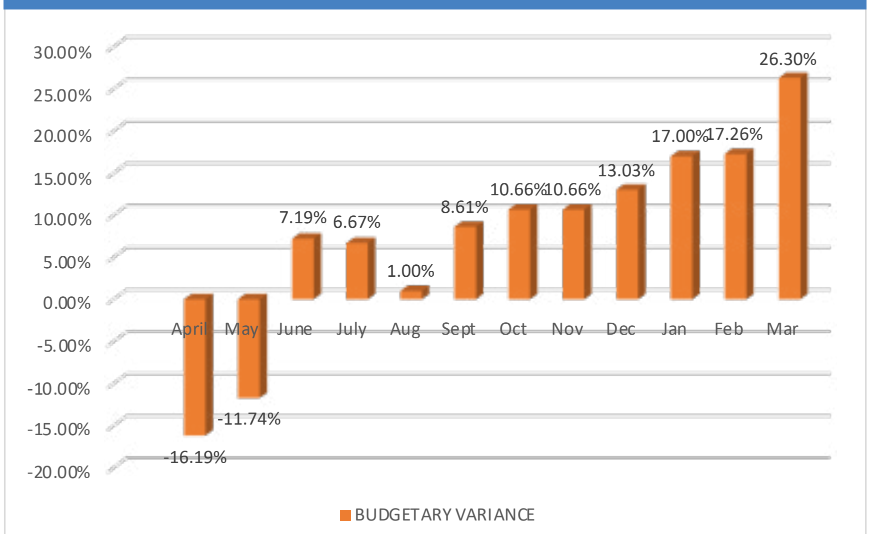
BUDGETARY MANAGEMENT

The expenditure for terminal operations was relatively conservative during the financial year. Most COVID-19 restrictions and curfews were gradually removed during the year, which saw an increase in social and economic activity and a gradual increase in the consumption of petroleum products.

There was a return on a vibrant cruise season, which increased demand in aviation during the final quarter of the year. While this return was encouraging, the demand for petroleum products did not return to pre-COVID-19 levels. The implementation of several cost-cutting measures at the beginning of the financial year 2020 in response to the economic fallout from COVID-19, which was very successful in controlling expenses, continued during the year. Non-critical monthly reoccurring activities with considerable associated expenses were moved to every two months, while measures were implemented to reduce overtime. A risk-based approach evaluated significant operating expenditure related to asset integrity management. At the same time, other major operation expenditure projects such as the annual Oistins berth survey and inspection did not materialize as planned due to contractor management issues. Additionally, the pipeline/maintenance inspection planned for the financial year was deferred until the coming financial year, while expenses associated with field maintenance of the facilities were not realized due to a lack of rainfall during the period.

Due to these measures and deferments, most departments maintained favourable variances for most of the financial year, resulting in a consistent monthly favourable variance averaging around 16%. Unfavourable variances were recorded as a result of retroactive pay, a pay increase realized at the beginning of the financial year, an increase in actual audit fees and additional costs associated with the improvement to the financial software. See chart 7.

CHART 7: **BUDGETARY VARIANCE PER MONTH FOR FINANCIAL YEAR 2021**



Moreover, most planned capital expenditures, such as subsea hoses and upgrades to the staff carport, were also deferred until the next financial year, when the terminal revenue is expected to be better. However, procurement was made for laboratory equipment to improve quality control and tank radars to improve the measurement system's accuracy and product sales reconciliation.

INVENTORY MANAGEMENT

The majority of Covid -19 restrictions were removed during the year, resulting in marginal increases in consumption of petroleum products during the first three-quarters of the year. Significant increases in consumption, especially aviation fuel, were realized in the final quarter due to the vibrant cruise and tourist season bolstered by the English cricket tour in February and March. Notwithstanding, fuels for ground transport continued to be negatively impacted by the steady penetration of electric mobility.

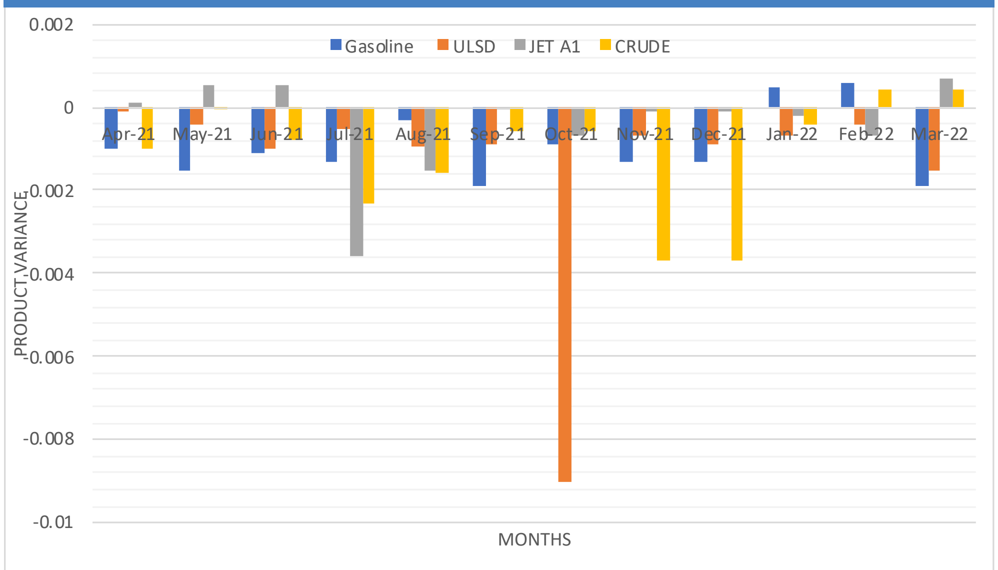
For the period under review, there were approximately 47 tanker operations which discharged a total of approximately 2,260,581 bbls of Clean Petroleum Product(CPP) as received physically in the tanks consisting of 671,455 bbls of gasoline, 468,394 bbls of Ultra Low Sulphur Diesel(ULSD) and 1,120,732 bbls of aviation fuel (Aviation Kerosene). The overall CCP figures showed an increase of approximately 22% compared to 2020/2021 figures of 1,853,097 bbls. Importation of all three products contributed to this overall increase. Gasoline importation moved from the previous year's figure of 589,866 bbls to the current year of 671,455 bbls with approximately 81,589 bbls or 13.8%. There was a 3.2% in diesel importation of figures 468,394 bbls compared to 453,622 bbls for the previous financial period. Aviation importation figures tallied 1,120,732 bbls compared to the previous period figures of 809,609 bbls, increasing approximately 38%. Regarding the importation of fuel oil, which is done at the SOL facility for the generation of electricity and asphalt production, there were approximately 42 ship operations with overall importation figures of 1,072,817 bbls for the period under review in comparison to 847,595 bbls in comparison to the previous year, increasing by approximately 26.5%.

A similar trend was observed for overall sales throughput figures for CCP for the year compared to the previous year. Overall throughput figures for CCP increased by approximately 24.5%, with overall sales recorded as 2,306,177 bbls compared to 1,851,513 bbls. Gasoline sales showed an increase of approximately 13.7%, with figures of 664,720 bbls compared to 584,329 bbls for the previous period. This trend was also consistent for ULSD, with sales increasing by 20,916 bbls/4.6% with figures of 470,074 bbls in comparison to 2020/2021 financial year figures of 449,158 bbls. The sale of aviation contributed the highest increase with figures of 1,171,379 bbls compared to the previous year's figures of 818,026 bbls or a percentage increase of 43.19%. Fuel figures moved from the previous year of 875,430 bbls to present recorded sales of 1,034,355 bbls, an increase of approximately 158,925 bbls or 18.1%. Crude oil exportation from the terminal measured approximately 147,739 bbls compared to 168,321 bbls for the previous year resulting in a decrease of approximately 12.2%.

Concerning loss control management, overall product volume reconciliation for products imported/exported and stored at the terminal during the 12 months reflected variances ranging from 0.02% to 0.11%, marginally within acceptable industry standards.

Monthly variances ranging from 0.01% to 0.9 % were attributed to both random and systematic errors within the various points of custody transfer measurements - see chart 8 (next page). The new tank radars received during the year that will significantly increase the accuracy of measurement and the overall reconciliation of products are expected to be installed during the first quarter of the next financial year.

CHART 8: **YEAR-TO-DATE PRODUCT VARIANCE**



ASSET INTEGRITY MANAGEMENT

Risk-based inspections and a robust preventative maintenance program were the pivotal elements in maintaining the terminal critical operating assets at near 100% effectiveness. The reliability of these assets was continuously maintained while reducing unplanned maintenance/shutdowns. The KPI for Operational Equipment Effectiveness (OEE) for critical assets such as the loading rack, pipelines, tanks, Human Machine Interface (HMI) and Supervisor Control and Data Acquisition (SCADA) systems were achieved to deliver consistent, safe, and reliable operations. Moreover, the maintenance department completed most monthly targets for the preventative maintenance program while seconded on a particular biodiesel project. Additionally, the recommendations for the energy audit conducted in 2020 were yet to be implemented to achieve energy reduction and the associated cost by at least 20%. It is anticipated that these recommendations will be implemented in the current financial year 2022/2023.

TERMINAL OVERVIEW
CONTINUED

PROJECT MANAGEMENT

Notwithstanding the continued rise of the effects of COVID-19, the terminal was able to initiate several projects.

1. Extension of Maintenance workshop and addition of Permanent Offices

The construction of the workshop and maintenance offices, which commenced in the previous financial year, was completed and officially opened by the Minister of Energy & Small Business – The Honourable Kerrie Symmonds at the end of the first quarter.

CAPTION

CEO, Mr James Browne - Minister of Energy & Small Business, the Hon. Kerrie Symmonds and Terminal Manager, Mr Terrance Straughan at the unveiling of the BNTCL Annex Plaque

2. Biodiesel Pilot Project

Secondly, the installation of a biodiesel dispensing system as a pilot project to ascertain critical information on the mass scale introduction of biofuels as part of government strategy in becoming 100% fossil fuel-free or carbon neutral by 2030, was mechanically completed at the end of the financial year, with full-scale completion and commissioning having been affected by global supply chain and freighting challenges. Additional challenges were encountered in finding a ratable and economically viable biodiesel supply for the testing and the pilot study. Notwithstanding the challenges, the installation is expected to be fully completed by the first quarter of the new financial year. The commercial team continued to work on a feasibility study of locally supplied manufactured biodiesel using cooking oil as feedstock.

3. 250kw ground mount system

Preliminary design and administrative work also started on the installation of a 250kw ground-mount PV system as an investment opportunity in renewable energy for staff members, which will be installed within the inner compound of the terminal. The Government Electrical Engineering Department (GEED) approved the project's initial design. Forming a particular purpose vehicle is required to finalize the completion of the Electric Light and Power Act Committee (ELPA) application and submission for approval. The installation of the system is expected to commence within the final quarter of the next financial year, contingent on obtaining the ELPA licence.

4. Used Oil Receipt and Repurposing to valued project

During the final quarter of the year, BNOCL was approached by the Environmental Protection

Department to assist with the growing issue of the disposal of used engine oil generated from many sources within the Island. The terminal provided technical guidance on developing procedures, which were successfully implemented to allow the acceptance and disposal of used oil into the crude at the BNOCL facility. However, the terminal is considering a long term solution in working with a global partner and leader in the technology for treating and recycling used oil to create an added value product.

5. Enterprise Resource Planning-System Application and Product in Processing Software (ERP-SAP) implementation and billing automation

Work commenced during the final quarter on implementing key modules of the ERP SAP system at the terminal. This project aims to be aligned with BNOCL and improve efficiencies in financial reporting and critical material management and procurement areas. The roll-out of the ERP system is expected in the first quarter of the new financial year. Also, the terminal commenced work in conjunction with the BNOCL marketing department to look at the possibility of automating the billing of off-takers from the truck rack to improve efficiencies and resilience. This project is also expected to start during the new financial year.

HEALTH, SAFETY, SECURITY & ENVIRONMENTAL (HSSE) OVERVIEW

In 2021, the activities of the Health, Safety, Security and Environmental Quality (HSSEQ) Department guided the BNOCL Group through the ever-changing environment created by COVID-19. The COVID-19 policy developed by the department in 2020 was continually updated to respond to changing government policy and the risk associated with the rise of new COVID-19 variants. Operations were often significantly impacted by personnel shortages as entire departments were affected by mandatory quarantines and isolations. In response to this, the HSSE department continued to carry out contact tracing and provide immediate testing exercises for all affected staff, even after the Government of Barbados ceased contact tracing efforts due to the massive spike in cases associated with the Omicron variant. Sadly, even with these efforts the Group still experienced the pain of losing one of our staff members to the dreaded disease. However, the BNOCL Group of Companies, through comprehensive COVID-19 policy management and the implementation of regular voluntary testing for all staff, the Companies were able to identify potential cases and isolate a number of potential spread events which allowed for continued uninterrupted service to the nation during the height of the pandemic.

The BNOCL formed a working relationship with the Ministry of Health and contracted a medic to provide emergency testing for all staff impacted by COVID-19. Voluntary testing for staff to "know their status" was also offered on a fortnightly basis during the height of the Omicron wave.

As the Company transitions towards Renewable Energy ("RE") technologies, the HSSE department identified a gap in the safety knowledge of staff tasked with leading that RE push as well as that of the HSSE committee tasked with maintaining safety standards within the organization. To combat this the entire RE department and HSSE Committee members were certified in roof-mounted and ground-mounted solar photovoltaic installation safety.

Unfortunately, continued COVID-19 restrictions have continued to limit the in-person safety training opportunities for staff, even as the work returned to full in-person capacity.

With the return to full operations of the Workover and Maintenance Departments, unfortunately the Lost Time Incident rate (LTI per 100 employees) rose again to slightly under pre-COVID levels of 9.46 at the end of February 2022, with a total of 11 lost time incidents. Risk Assessment of these two departments is currently being conducted in an effort to identify further gaps and address any unnecessary risks identified.

In the area of Quality Management, the HSSE Department has developed an updated policy on the handling of quality control of liquid fuels importation with serious attention paid to the Heavy Fuel Oil importation, as this is of significant importance to the economy of Barbados. The HSSE Department

HEALTH, SAFETY, SECURITY & ENVIRONMENTAL (HSSE) OVERVIEW CONTINUED

was also tasked with conducting an audit on gas loss associated with natural gas distribution by the National Petroleum Corporation ("NPC"). The results were used to inform NPC's attempts to improve both their economic efficiency, as well as the public safety of their pipeline network.

FINANCIAL OVERVIEW

The BNOCL Group recorded total comprehensive income of $2.3 million for the year ended March 2022 as compared to a net comprehensive loss of ($23.0 million) in 2021. The parent company BNOCL as an entity recorded net comprehensive loss of ($2.9 million) for the year 2022 as compared to a net loss of ($25.1 million) in 2021. BNOSL recorded income of $2.6 million in 2022 as compared to a loss of ($2.9 million) in 2021. BNTCL recorded a profit of $5.3 million in 2022. This was 28.7% more than the profit of $4.1 million recorded in 2021.

The return to profitability at the Group level was primarily due to increased volumes as activity returned to a semblance of normalcy along with significant increases in global oil prices which resulted in excellent prices for crude exported.

REVENUE

The Group's gross revenue increased by 100.3% from $248.4 million in the year ended March 2021 to $497.5 million in the current year under review. The sale of refined petroleum products accounted for $431.2 million or 86.7% of gross revenue for the current year. This represented an increase of 100.3% over the previous year's refined products revenue of $215.2 million. The significant increase in revenue from this segment of the business resulted primarily from increases in product volumes as well as the sale of product at significantly higher average prices.

There was a significant increase in total imported volumes of fuel oil and consequently revenue from the sale of fuel oil more than doubled from $81.8 million in 2021 to $169.2 million in the year under review. Revenue from gasoline and diesel also increased significantly from $123.9 million in 2021 to $241.3 million in the year under review. This represented an increase of 94.7% or $117.4 million. Revenue from Asphalt feed increased by $11.2 million or more than double from $9.5 million in 2021 to $20.7 million in 2022.

Revenue from the sale of natural gas increased from $11.0 million in 2021 to $21.1 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 $7.50 per mcf to a sliding scale with a floor of $7.50 per mcf and a ceiling of $11.15 per mcf. Imported gas was again sold to the NPC at a rate calculated on a cost-plus margin basis. It should be noted that in the latter part of the year prices increased significantly as a result of global instability and European uncertainty.

BNTCL's throughput fees to non-related companies increased by 38.0% or $1.3 million from $3.3 million in 2021 to $4.6 million in the current year. These amounts are included in the total terminal throughput fees of $24.7 million for the year under review. Total terminal throughput fees increased by $3.5 million or 16.2% compared to the figure of $21.3 million for 2021.

OPERATING COST

The operating cost of the Group increased by 90.0% from $250.5 million in 2021 to $476.1 million in the current year. The major contributor was an increase in the overall cost of refined product to $445.2 million in the current year compared with a cost of $224.2 million in 2021. This represented an increase of 98.5% when compared to the previous year and was attributable primarily to an increase in the volumes of product imported and generally higher costs per barrel for all refined products.

General & Administration Expenses

In the year under review, the Group's General and Administration expenses decreased by $3.2 million or 19.6% to total $13.3 million, while its Debt servicing costs increased by 24.7% from $3.4 million in 2021 to $4.2 million in the year under review. The increase in Debt servicing costs was mainly due to the higher debt balances incurring interest costs for the entire year as opposed to the previous year where the higher balances were only in place for the last 4 months of the year. The total loans balance was $42.8 million at the end of 2020, $82.6 million at the end of 2021 but decreased to $73.3 million at the end of the year under review.

Cash Flow

The Group utilized $18.0 million in its operating activities for the current year. This was a significant increase in cash utilized when compared to the $7.9 million in cash utilized from operations in 2021. The company also utilized $2.8 million cash in investing activities and $9.6 million in financing activities in the year ended March 2022. The opening cash balance of the Group was $16.1 million while the ending cash balance was negative ($14.2 million). This represented an overall decrease of $30.3 million in the cash balance of the Group.

BARBADOS NATIONAL OIL COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

(expressed in Barbados dollars)

Registered Office

Woodbourne, St Philip, Barbados

Board of Directors – Barbados National Oil Company Limited (BNOCL or the Company)

Mr. Victor Fernandes - Chairman (appointed July 1, 2021)

Mr. William Alexander McDonald - Chairman (until June 30, 2021)

Dr. Asquith Thompson - Deputy Chairman

Ms. Collette Applewhaite

Ms. Averill Brathwaite

Mrs. Stephanie Catling-Birmingham

Dr. Erwin E. Edwards

Mr. Ross Maynard

Mrs. Andria Shepherd-Payne

Ms. Liesel N. Weekes

Mr. Jamar White

Corporate Secretary

Mrs. Donna Harris-Thornhill

Auditor

PricewaterhouseCoopers SRL

Banker

Republic Bank (Barbados) Limited

Attorneys-At-Law

Mr. Roger C Forde, QC

Mr. Barry Gale, QC

Ms. Karen Perreira

Independent auditor's report

To the Shareholders of Barbados National Oil Company Limited

Our qualified opinion

In our opinion, except for the possible effects of the matter 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, 2022, 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, 2022;
- 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 significant accounting policies and other explanatory information.

Basis for qualified opinion

The in-house oil and gas reserves reports prepared as at March 31, 2022 and March 31, 2021 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.

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.

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

Independence
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 2022 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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. As described in the *Basis for qualified opinion* section above, we were unable to determine whether adjustments might have been necessary in respect of depletion costs, due to the oil and gas reserves reported being inconclusive. We will be unable to conclude whether or not the other information is materially misstated with respect to this matter.

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.

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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 qualified opinion we have formed.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
June 30, 2022

Barbados National Oil Company Limited

Consolidated Statement of Financial Position

As at March 31, 2022

(expressed in Barbados dollars)

	2022 $	2021 $
Current assets		
Cash on hand and at bank (note 5)	**1,480,063**	16,127,444
Term deposits (note 6)	**187,654**	7,753,077
Accounts and other receivables (note 7)	**67,519,644**	34,877,636
Due from shareholder (note 8)	**2,126,550**	7,677,716
Due from associated company (note 8)	**5,467,206**	–
Inventories (note 9)	**44,729,836**	27,433,468
Prepaid expenses	**1,444,394**	1,247,002
Due from director (note 8)	–	300
	122,955,347	95,116,643
Current liabilities		
Bank overdraft (note 5)	**15,690,887**	–
Accounts payable and accrued liabilities (note 10)	**59,225,949**	25,063,131
Due to shareholder (note 8)	**77,964**	–
Borrowings - current portion (note 11)	**9,768,585**	9,604,816
Lease liability - current portion (note 17)	**1,229**	–
Corporation tax payable	**240,994**	54,242
	85,005,608	34,722,189
Working capital	**37,949,739**	60,394,454
Long-term accounts and other receivables (note 7)	**1,701,639**	1,290,639
Due to shareholder (note 8)	**(17,895,567)**	(11,850,893)
Financial investments (note 12)	**2,453,249**	2,453,249
Investment in associated company (note 13)	**1,628,237**	1,226,452
Property, plant and equipment (note 14)	**149,793,230**	148,898,951
Deposit on plant and equipment (note 15)	**661,185**	591,136
Provision for abandonment (note 16)	**(10,068,947)**	(8,943,892)
Right-of-use-asset (note 17)	**3,348,186**	3,406,926
Lease liability (note 17)	**(4,395,984)**	(4,347,900)
Employee benefits (note 18)	**(3,646,017)**	(2,639,953)
Borrowings (note 11)	**(63,561,134)**	(72,977,824)
Deferred tax liability (note 19)	**(570,334)**	(237,911)
Net assets	**97,397,482**	117,263,434
Represented by:		
Equity		
Share capital (note 20)	**41,014,809**	41,014,809
Retained earnings	**56,382,673**	76,248,625
	97,397,482	117,263,434

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

Approved by the Board of Directors on June 27, 2022

Victor Fernandes - Chairman

Andria Shepherd-Payne - Director

Barbados National Oil Company Limited

Consolidated Statement of Changes in Equity

For the year ended March 31, 2022

(expressed in Barbados dollars)

	Share capital $	Retained earnings $	Total $
Balance at March 31, 2020	41,014,809	99,283,983	140,298,792
Net loss for the year	–	(21,760,405)	(21,760,405)
Other comprehensive loss	–	(1,274,953)	(1,274,953)
Total comprehensive loss for the year	–	(23,035,358)	(23,035,358)
Balance at March 31, 2021	41,014,809	76,248,625	117,263,434
Net income for the year	–	3,792,982	3,792,982
Other comprehensive loss	–	(1,448,056)	(1,448,056)
Total comprehensive income for the year	–	2,344,926	2,344,926
Write-off of intra-governmental debt (note 31)	–	(22,210,878)	(22,210,878)
Balance at March 31, 2022	**41,014,809**	**56,382,673**	**97,397,482**

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, 2022

(expressed in Barbados dollars)

	2022 $	2021 $
Revenue		
Upstream revenue (note 21)	**60,663,875**	29,423,134
Refined products sales (note 21)	**431,185,467**	215,247,694
Renewable energy revenue (note 21)	**1,059,521**	366,884
Terminal throughput fees	**4,590,972**	3,327,764
	497,499,835	248,365,476
Operating costs		
Cost of goods sold - refined products (note 25)	**445,151,579**	224,243,774
Cost of goods sold - crude oil (note 25)	**11,204,850**	7,504,344
Cost of goods sold - renewable energy (note 25)	**2,612,548**	1,057,647
Holborn facilities costs (note 28)	**4,011,748**	3,294,222
Terminal operating costs (note 25)	**2,662,493**	2,935,437
Depreciation (notes 14 & 17)	**7,810,451**	8,193,033
Depletion (note 14)	**798,319**	1,143,844
Royalties	**2,909,831**	1,784,394
Inventory (write back)/write-off	**(1,104,722)**	348,030
	476,057,097	250,504,725
Gross profit/(loss)	**21,442,738**	(2,139,249)
General and administrative expenses (note 25)	**(13,334,880)**	(16,579,041)
Finance costs (notes 11 & 17)	**(4,189,621)**	(3,358,542)
Operating profit/(loss)	**3,918,237**	(22,076,832)
Other income (note 22)	**171,217**	215,517
Other losses (note 23)	**(247,754)**	(351,308)
Income/(loss) before share of net income of associated company	**3,841,700**	(22,212,623)
Share of net income of associated company (note 13)	**401,785**	863,629
Income/(loss) before taxation	**4,243,485**	(21,348,994)
Taxation (note 19)	**(450,503)**	(411,411)
Net income/(loss) for the year	**3,792,982**	(21,760,405)
Other comprehensive loss		
Items that will not be reclassified to income:		
Remeasurements of defined employee benefits (note 18)	**(1,489,332)**	(1,263,565)
Tax related to remeasurements of defined employee benefits	**41,276**	(11,388)
	(1,448,056)	(1,274,953)
Total comprehensive income/(loss) for the year	**2,344,926**	(23,035,358)

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, 2022

(expressed in Barbados dollars)

	2022 $	2021 $
Cash flows from operating activities		
Income/(loss) before taxation	**4,243,485**	(21,348,994)
Adjustments for:		
Depreciation	**7,810,451**	8,193,033
Depletion	**798,319**	1,143,844
Pension plan expense	**957,831**	929,916
Share of net income of associated company	**(401,785)**	(863,629)
Finance costs	**4,152,033**	3,358,542
Interest income	**(40,004)**	(36,937)
(Gain)/loss on disposal of property, plant and equipment	**(10,406)**	167,558
Write-off of deposit on property, plant and equipment	**–**	123,495
Write-off of property, plant and equipment	**(3,507)**	–
Amortisation of inventories	**–**	183,750
IDB project expenses	**472,462**	(144,606)
Operating income/(loss) before working capital changes	**17,978,879**	(8,294,028)
Decrease in term deposits	**7,565,423**	–
(Increase)/decrease in accounts and other receivables	**(33,053,008)**	5,748,081
Increase in due from shareholder	**(16,659,712)**	(2,830,611)
Decrease/(increase) in due from director	**300**	(300)
(Increase)/decrease in inventories	**(17,296,368)**	10,529,783
Increase in prepaid expenses	**(197,392)**	(370,364)
Increase in due from associated company	**(5,467,206)**	–
Increase/(decrease) in accounts payable and accrued liabilities	**34,162,818**	(8,219,856)
Increase/(decrease) in due to shareholder	**77,964**	(167,852)
Cash used in operations	**(12,888,302)**	(3,605,147)
Finance costs paid	**(3,773,547)**	(2,776,728)
Pension plan contributions paid	**(1,441,099)**	(1,170,872)
Income taxes refunded/(paid)	**109,948**	(375,829)
Interest received	**40,004**	36,937
Net cash used in operating activities	**(17,952,996)**	(7,891,639)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,211,893)**	(2,307,505)
Deposit on plant and equipment	**(604,982)**	(377,132)
Proceeds from disposal of property, plant and equipment	**37,234**	569,130
Net cash used in investing activities	**(2,779,641)**	(2,115,507)
Carried forward	**(20,732,637)**	(10,007,146)

Barbados National Oil Company Limited
Consolidated Statement of Cash Flows *...continued*
For the year ended March 31, 2022

(expressed in Barbados dollars)

	2022 $	2021 $
Brought forward	**(20,732,637)**	(10,007,146)
Cash flows from financing activities		
Proceeds from borrowings	**–**	70,000,000
Repayment of borrowings	**(9,150,094)**	(30,372,082)
Repayment of due to shareholder balance - long term	**(23,537)**	–
Principal elements of lease payments	**(432,000)**	–
Net cash (used in)/generated from financing activities	**(9,605,631)**	39,627,918
Net (decrease)/increase in cash and cash equivalents	**(30,338,268)**	29,620,772
Cash and cash equivalents - beginning of year	**16,127,444**	(13,493,328)
Cash and cash equivalents - end of year (note 5)	**(14,210,824)**	16,127,444

Non-cash investing and financing activities (note 27).

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

Barbados National Oil Company Limited
Notes to the Consolidated Financial Statements
March 31, 2022

(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

There are no new standards, amendments and interpretations to existing standards effective in the 2022 financial year that are relevant.

ii) New standards, amendments and interpretations mandatory for the first time for the financial period beginning April 1, 2021 but not currently relevant to the Group

Amendments to IFRS 16, 'Leases' - COVID-19 related rent concessions. Extension of the practical expedient. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2011, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can elect to account for such rent concession in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs (effective April 1, 2021).

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform - Phase 2. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Barbados National Oil Company Limited
Notes to the Consolidated Financial Statements
March 31, 2022

(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, 2021 but not currently relevant to the Group *…continued*

Amendments to IFRS 4, 'Insurance contracts' - deferral of IFRS 9. These amendments defer the date of application of IFRS 17 by two years to January 1, 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until January 1, 2023.

iii) New standards, amendments and interpretations issued but not yet effective for the financial period beginning April 1, 2021 and not early adopted

Amendments to IAS 16, Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss (effective January 1, 2022).

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss making (effective January 1, 2022).

Annual improvements on IFRS 9 and IFRS 16. Annual improvements make minor amendments to IFRS 9, 'Financial instruments' and the Illustrative Examples accompanying IFRS 16, 'Leases' (effective January 1, 2022).

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 (deferred until January 1, 2024).

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8. These amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies (effective January 1, 2023).

Amendments to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences (effective January 1, 2023).

Barbados National Oil Company Limited
Notes to the Consolidated Financial Statements
March 31, 2022

(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 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.

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.

(expressed in Barbados dollars)

2 Significant accounting policies *…continued*

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.

(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.

(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) Accounts receivable

Accounts receivable 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 the 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 consolidated 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.

(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 consolidated 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 consolidated 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.

(expressed in Barbados dollars)

2 Significant accounting policies *…continued*

s) Leases

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

Lease terms are negotiated on an individual basis and include 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.

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

(expressed in Barbados dollars)

2 Significant accounting policies *...continued*

s) Leases *...continued*

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.

t) Financial instruments

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

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.

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.

(expressed in Barbados dollars)

2 Significant accounting policies *...continued*

t) Financial instruments *...continued*

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

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.

Accounts receivable

The Group applies the simplified approach for accounts receivable 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.

ii) 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.

(expressed in Barbados dollars)

3 Critical accounting judgements and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

a) Estimated impairment of assets

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

b) Depletion of intangible drilling and development costs

The Group makes provisions for the depletion of its intangible drilling and development costs as stated in Note 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 9. Judgement is required in determining the level of provision based on the age and future use of the inventory item.

(expressed in Barbados dollars)

4 Financial risk management

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

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

a) Market risk

i) Foreign currency risk

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

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

ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The return on financial investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Group's borrowings are issued at fixed rates. The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2022		2021	
	$	%	$	%
Fixed rate borrowings - repricing or maturity dates:				
Less than 1 year	**9,768,585**	**13.32**	9,604,816	11.63
1 - 5 years	**39,302,993**	**53.60**	39,375,366	47.68
Over 5 years	**24,258,141**	**33.08**	33,602,458	40.69
	73,329,719	**100**	82,582,640	100

(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 receivables.

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:

	2022		2021	
	$	**%**	**$**	**%**
Cash and bank balances	**1,480,063**	**2.25**	16,127,444	26.34
Term deposits	**187,654**	**0.28**	7,753,077	12.66
Accounts and other receivables	**54,150,534**	**82.22**	27,207,400	44.45
Due by shareholder	**2,126,550**	**3.23**	7,677,716	12.54
Due from associated company	**5,467,206**	**8.30**	–	0.00
Financial investments	**2,453,249**	**3.72**	2,453,249	4.01
	65,865,256	**100.00**	61,218,886	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 receivable)
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.

The expected loss rates for non-specific accounts are based on the payment profiles of sales over a period of 48 months starting April 1, 2017 and ending on March 31, 2021 and the corresponding historical credit losses experienced within this period.

(expressed in Barbados dollars)

4 Financial risk management *...continued*

b) Credit risk *...continued*

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

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(expressed in Barbados dollars)

4 Financial risk management *...continued*

b) Credit risk *...continued*

Assets written off ...continued

The Group provides for credit losses on financial assets(including related party balances arising in the normal course of operations) as follows:

March 31, 2022

Category	**Credit Rating**	**Average ECL rate %**	**Estimated EAD $**	**Expected credit loss $**
Performing (Stage 1)	Accounts receivable in the 1 to 30 days category	**32.1%**	**2,049,887**	**658,678**
Underperforming (Stage 2)	Accounts receivable in the 31 to 90 days category	**35.8%**	**425,637**	**152,224**
Non-performing (Stage 3)	Accounts receivable over 90 days	**69.7%**	**12,532,368**	**8,729,784**
Write-off	Recovery is highly unlikely	**–**	**–**	**–**
TOTAL		**63.6%**	**15,007,892**	**9,540,686**

Credit Rating	**Estimated EAD**
Financial assets in the 1 to 30 days category	**2,049,887**
Financial assets in the 31 to 90 days category	**425,637**
Financial assets over 90 days	**12,532,368**
Recovery is highly unlikely	**–**
	15,007,892

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(expressed in Barbados dollars)

4 Financial risk management *...continued*

b) Credit risk *...continued*

March 31, 2021

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	100	11,927,362	11,927,362
TOTAL		100	11,927,362	11,927,362

Credit Rating	**Estimated EAD**
Financial assets in the 1 to 30 days category	–
Financial assets in the 31 to 90 days category	–
Financial assets over 90 days	–
Recovery is highly unlikely	11,927,362
	11,927,362

(expressed in Barbados dollars)

4 Financial risk management *...continued*

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet reasonable expectations of its short term obligation. Due to the dynamic nature of the underlying businesses, 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, 2022			
Bank overdraft	**15,690,887**	**–**	**15,690,887**
Accounts payable	**43,578,038**	**–**	**43,578,038**
Due to shareholder	**77,964**	**17,895,567**	**17,973,531**
Borrowings	**12,480,998**	**72,948,041**	**85,429,039**
	71,827,887	**90,843,608**	**162,671,495**
Off financial statement exposure			
Guarantee and letter of credit	**–**	**30,800,000**	**30,800,000**
Total liabilities	**71,827,887**	**121,643,608**	**193,471,495**
At March 31, 2021			
Accounts payable	9,192,624	–	9,192,624
Due to shareholder	–	11,850,893	11,850,893
Borrowings	12,687,699	85,471,677	98,159,376
	21,880,323	97,322,570	119,202,893
Off financial statement exposure			
Guarantee and letter of credit	–	30,800,000	30,800,000
Total liabilities	21,880,323	128,122,570	150,002,893

Barbados National Oil Company Limited
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(expressed in Barbados dollars)

4 Financial risk management *...continued*

c) Liquidity risk *...continued*

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

	Less than 1 year $	More than 1 year $	Total $
At March 31, 2022			
Cash and cash equivalents	**1,480,063**	**–**	**1,480,063**
Term deposits	**187,654**	**–**	**187,654**
Accounts and other receivables	**54,117,851**	**32,683**	**54,150,534**
Due by shareholder	**2,126,550**	**–**	**2,126,550**
Due from associated company	**5,467,206**	**–**	**5,467,206**
Financial investments	**–**	**2,453,249**	**2,453,249**
Assets held for managing liquidity	**63,379,324**	**2,485,932**	**65,865,256**
At March 31, 2021			
Cash and cash equivalents	16,127,444	–	16,127,444
Term deposits	7,753,077	–	7,753,077
Accounts and other receivables	27,194,157	13,243	27,207,400
Due by shareholder	7,677,716	–	7,677,716
Financial investments	–	2,453,249	2,453,249
Assets held for managing liquidity	58,752,394	2,466,492	61,218,886

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.

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(expressed in Barbados dollars)

5 Cash and cash equivalents

	2022 $	2021 $
Cash on hand and at bank	**1,480,063**	16,127,444
Bank overdraft	**(15,690,887)**	–
	(14,210,824)	16,127,444

6 Term deposits

	2022 $	2021 $
Term deposits	**187,654**	7,753,077

Term deposits have maturities of 6 months or less and bear interest at 0.01% (2021 - 0.01%). A lien over term deposits amounting to $150,000 (2021 - $150,000) has been given as security for the Group's $40M loan facility.

7 Accounts and other receivables

	2022 $	2021 $
Current:		
Trade receivables	**53,748,093**	26,825,578
Duty prepaid	**11,735,213**	6,466,715
VAT receivable	**1,666,580**	1,216,764
Other receivables	**369,758**	368,579
	67,519,644	34,877,636
Non-current:		
VAT receivable	**1,668,956**	1,277,396
Other receivables	**32,683**	13,243
	1,701,639	1,290,639
Total accounts and other receivables	**69,221,283**	36,168,275

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

The maximum exposure to credit risk at March 31, 2022 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 2022 or 2021.

(expressed in Barbados dollars)

8 Related party transactions

The following transactions were carried out with related parties:

i) Sales of goods and services

	2022 $	2021 $
Sale of natural gas to shareholder (note 21)	**21,136,445**	10,964,575
Write-off of amount due to shareholder (note 31)	**(22,210,878)**	–
Sale of 3k grid solar system to director	**–**	13,500

ii) Key management compensation

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

	2022 $	2021 $
Salaries and other short-term benefits	**1,508,685**	1,359,032
Directors' fees	**172,000**	101,400

iii) Due from associated company

	2022 $	2021 $
Due from associated company	**15,007,892**	11,927,362
Loss allowance	**(9,540,686)**	(11,927,362)
	5,467,206	–

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

iv) Due from shareholder

	2022 $	2021 $
National Petroleum Corporation	**2,126,550**	7,677,716

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

(expressed in Barbados dollars)

8 Related party transactions *...continued*

v) Due to shareholder

	2022 $	2021 $
Current:		
National Petroleum Corporation	**77,964**	–

This amount arises mainly from sale transactions and is unsecured, and bears no interest.

	2022 $	2021 $
Non-current:		
National Petroleum Corporation	**17,895,567**	11,850,893

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 (NPC) to execute the project. Subsequently, the 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.

iv) Due from director

	2022 $	2021 $
	–	300

(expressed in Barbados dollars)

9 Inventories

	2022 $	2021 $
Refined products	**27,300,582**	12,396,913
Crude oil	**6,897,388**	4,498,894
Materials	**18,870,600**	19,018,611
Goods in transit	**1,071,526**	4,978,195
Renewable energy supplies	**7,204,033**	3,993,226
	61,344,129	44,885,839
Less: non-current portion - tank heels (i)	**–**	–
	61,344,129	44,885,839
Less: provision for obsolescence on materials	**(16,614,293)**	(17,452,371)
	44,729,836	27,433,468

	2022 $	2021 $
i) Non-current - tank heels		
Balance at beginning of year	**–**	183,750
Amortisation (note 23)	**–**	(183,750)
Balance at end of year	**–**	–

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

10 Accounts payable and accrued liabilities

	2022 $	2021 $
Accounts payable	**43,578,038**	9,192,624
VAT payable	**2,394,544**	3,933,784
Accrued expenses	**4,327,118**	5,517,672
Fuel rebate payable	**7,771**	(265,336)
Other payables	**141,059**	83,027
Unearned revenue	**358,393**	–
Duty payable	**8,419,026**	6,601,360
	59,225,949	25,063,131

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(expressed in Barbados dollars)

11 Borrowings

	2022 $	2021 $
Non-current		
i) Fixed rate bond	**8,750,000**	11,250,000
ii) Bank borrowings - $30M	**22,492,594**	25,911,309
iii) Bank borrowings - $40M	**32,318,540**	35,816,515
	63,561,134	72,977,824
Current		
Borrowings	**9,768,585**	9,604,816
Total borrowings	**73,329,719**	82,582,640

i) 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 over the life of the 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, followed by equal semi-annual payments of principal. Repayment of principal on this bond commenced on December 11, 2006.

ii) Bank borrowings - $30M loan

On August 12, 2020, Republic Bank (Barbados) Limited committed to provide a demand facility of $30,000,000 with an annual interest of 3.95% which is fixed for the first 5 years. The balance is repayable quarterly in arrears based on the outstanding principal, computed on a 360 day basis with payments of principal and interest of $1,097,997 over 8 years. The effective rate applicable to this loan at the statement of financial position date was 3.95%.

(expressed in Barbados dollars)

11 Borrowings *...continued*

ii) Bank borrowings - $30M loan *...continued*

The bond and loans are secured by the following securities:

- Guarantee dated February 16, 2010 from the Company for $30.8M.
- First legal debenture/mortgage stamped to cover $30M over the fixed and floating assets of a subsidiary with a specific charge over the property and terminal facility at Fairy Valley, Christ Church.
- Trident Insurance Company Limited policy number FC-036115 over the stock of the Company held at Fairy Valley, Christ Church and anywhere else the Company operates. Sum insured $195M expiring June 1, 2022.
- Letter of Undertaking dated January 12, 2006 from the Company to remit funds to satisfy monthly loan repayments at the Bank's request.
- Cross Guarantees from the Company and a subsidiary.
- Guarantee dated April 26, 2012 from The Crown in the Right of The Government of Barbados stamped to cover $120M.

In 2021, a 10 year commercial mortgage loan was entered into between the Company and Republic Bank (Barbados) Limited, for a total of $40,000,000. This has been executed to assist the Company with business related expenses, liquefied natural gas purchases, liquidation of the overdraft of $30M and capital support. Repayment is made in quarterly blended principal and interest payments of $1,215,335 at a rate of 3.95% per annum, which is fixed for 5 years and subject to review thereafter.

The loan is secured by the following securities:

i) First freehold debenture/mortgage stamped to cover $30,000,000 over the fixed and floating assets of the Company, with a specific charge over property located at Woodbourne, St. Philip.

ii) Further upstamp of freehold debenture mortgage by $10,000,000 to $40,000,000 over the fixed and floating assets of the Company and a subsidiary as surety and principal obligor, with a specific charge over property located at Woodbourne, St. Philip.

iii) Assignment of Trident Insurance Company Limited Policy Number FC-36115 over Fairy Valley Christ Church and anywhere else the Company operates from in Barbados. Face value USD $100,000,000. Bank's interest noted for USD $11,000,000 worth of stock to be increased to USD $20,000,000. Expiring April 1, 2022.

iii) Lien over term deposit in the name of the Company for the equivalent of USD $75,000 (Fixed Deposit #0980-2702-4203 - for the Standby Letter of Credit to New Fortress Energy Marketing LLC).

iv) Cross Guarantees from two subsidiaries.

The fair values of the borrowings as at March 31, 2022 are $62,195,122 (2021 - $76,037,660). The fair values are based on cash flows discounted using a rate based on the latest bond rates which range from 2.20% to 15.98% (2021 - 3.18% to 9.14%).

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12 Financial investments

	2022 $	2021 $
Non-current		
Financial assets at amortised cost:		
Government of Barbados Series D Bond	**2,453,249**	2,453,249

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 $1,666,262 (2021 - $1,589,892).

13 Investment in associated company

	2022 $	2021 $
Equity value of investment - beginning of year	**1,226,452**	362,823
Share of net income of associated company for the year	**401,785**	863,629
Equity value of investment - end of year	**1,628,237**	1,226,452

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

(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, 2020										
Cost	21,859,667	8,498,716	4,635,258	38,908,042	14,258,976	1,102,082	162,242,353	197,202,790	7,318,600	456,026,484
Accumulated depreciation	(9,395,691)	(7,778,604)	(3,615,582)	(35,360,175)	(11,494,544)	(1,077,653)	(87,043,267)	(149,155,020)	–	(304,920,536)
Net book amount	12,463,976	720,112	1,019,676	3,547,867	2,764,432	24,429	75,199,086	48,047,770	7,318,600	151,105,948
Year ended March 31, 2021										
Opening net book amount	12,463,976	720,112	1,019,676	3,547,867	2,764,432	24,429	75,199,086	48,047,770	7,318,600	151,105,948
Additions	59,693	130,187	–	–	–	–	1,342,331	46,655	728,639	2,307,505
Additions from NPC Project Execution Unit	–	135,671	–	–	–	–	–	–	5,170,340	5,306,011
Transfer	732,747	277,054	–	–	–	–	–	–	(1,009,801)	–
Transfers in from deposit on property, plant and equipment	–	72,639	–	–	–	–	121,674	–	–	194,313
Disposals - cost	(902,016)	(511)	(376,721)	–	–	–	–	–	–	(1,279,248)
Accumulated depreciation on disposals	165,370	468	376,721	–	–	–	–	–	–	542,559
Depreciation and depletion charges	(753,726)	(525,417)	(317,506)	(544,707)	(299,924)	(7,345)	(5,671,356)	(1,158,156)	–	(9,278,137)
Closing net book amount	11,766,044	810,203	702,170	3,003,160	2,464,508	17,084	70,991,735	46,936,269	12,207,778	148,898,951
At March 31, 2021										
Cost	21,750,091	9,113,756	4,258,537	38,908,042	14,258,976	1,102,082	163,706,358	197,249,445	12,207,778	462,555,065
Accumulated depreciation	(9,984,047)	(8,303,553)	(3,556,367)	(35,904,882)	(11,794,468)	(1,084,998)	(92,714,623)	(150,313,176)	–	(313,656,114)
Net book amount	11,766,044	810,203	702,170	3,003,160	2,464,508	17,084	70,991,735	46,936,269	12,207,778	148,898,951

(expressed in Barbados dollars)

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

	Land, buildings & leasehold improvements $	Furniture, fittings and office equipment $	Motor vehicles $	Well equipment $	LPG processing facilities $	Seismic cost $	Production and operation equipment $	Intangible drilling and development costs $	Construction in progress $	Total $
Year ended March 31, 2022										
Opening net book amount	11,766,044	810,203	702,170	3,003,160	2,464,508	17,084	70,991,735	46,936,269	12,207,778	148,898,951
Additions	53,573	108,087	–	–	–	–	832,908	138,577	1,078,748	2,211,893
Additions from NPC Project Execution Unit	–	18,716	–	–	–	–	–	–	5,577,033	5,595,749
Transfers in from deposit on property, plant and equipment	534,933	–	–	–	–	–	–	–	–	534,933
Increase in provision for abandonment	–	–	–	–	–	–	–	1,125,055	–	1,125,055
Disposals - cost	(49,153)	–	(373,733)	–	–	–	–	–	–	(422,886)
Disposals - accumulated depreciation	22,325	–	373,733	–	–	–	–	–	–	396,058
Write off of property, plant and equipment	–	2,741	–	–	–	–	766	–	–	3,507
Depreciation and depletion charges	(761,350)	(366,131)	(266,819)	(503,805)	(299,925)	(6,029)	(5,533,340)	(812,631)	–	(8,550,030)
Closing net book amount	**11,566,372**	**573,616**	**435,351**	**2,499,355**	**2,164,583**	**11,055**	**66,292,069**	**47,387,270**	**18,863,559**	**149,793,230**
At March 31, 2022										
Cost	22,289,444	9,240,138	3,884,804	38,908,042	14,258,976	1,102,082	164,539,266	198,513,077	18,863,559	471,599,388
Accumulated depreciation	(10,723,072)	(8,666,522)	(3,449,453)	(36,408,687)	(12,094,393)	(1,091,027)	(98,247,197)	(151,125,807)	–	(321,806,158)
Net book amount	**11,566,372**	**573,616**	**435,351**	**2,499,355**	**2,164,583**	**11,055**	**66,292,069**	**47,387,270**	**18,863,559**	**149,793,230**

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15 Deposit on plant and equipment

At March 31, 2022, the Group had made deposits totalling $661,185 (2021 - $591,136) on plant and equipment. A further $216,191 (2021 - $202,088) is due in relation to the plant and equipment.

16 Provision for abandonment

	2022 $	2021 $
Balance at beginning of year	**8,943,892**	8,943,892
Increase in provision for abandonment (note 14)	**1,125,055**	–
Balance at end of year	**10,068,947**	8,943,892

The Group has established a provision of $10,068,947 (2021 - $8,943,892) towards remediation costs which are estimated to be $42,485 (2021 - $37,738) 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 13 year period at a discount rate of 7.21% (2021 - $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%	8,924,129	11,373,487
Cost	10%	11,075,844	9,062,054
Period	1 year	9,391,975	10,794,718

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.

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17 Leases

i) Amounts recognised in the consolidated statement of financial position:

	2022 $	2021 $
Right-of-use asset		
Land	**3,348,186**	3,406,926
Lease liabilities		
Current	**(1,229)**	–
Non-current	**(4,395,984)**	(4,347,900)
Total	**(4,397,213)**	(4,347,900)

Additions to right-of-use asset during the 2022 financial year were $Nil (2021 - $Nil).

ii) Amounts recognised in the consolidated statement of comprehensive income:

	2022 $	2021 $
Depreciation charge of right-of-use assets		
Land	**(58,740)**	(58,740)
Interest expense (included in finance costs)	**(481,313)**	(433,342)

The total cash outflow for leases in 2022 was $432,000 (2021 - $Nil).

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, 2024. 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:

	2022 $	2021 $
Fair value of plan assets	**25,408,508**	23,288,570
Present value of funded obligations	**(24,869,622)**	(22,914,398)
Effect of IFRIC 14	**(3,609,069)**	(3,014,125)
Effect of asset ceiling	**(575,834)**	–
Net liability in the consolidated statement of financial position	**(3,646,017)**	(2,639,953)

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18 Employee benefits *...continued*

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

	2022 $	2021 $
Fair value of plan assets at beginning of year	**23,288,570**	21,020,250
Actual return on plan assets	**1,234,159**	2,149,516
Contributions - employer	**1,441,099**	1,170,872
Contributions - employee	**445,621**	335,879
Benefits paid	**(1,000,941)**	(1,387,947)
Fair value of plan assets at end of year	**25,408,508**	23,288,570

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

	2022 $	2021 $
Present value of funded obligations at beginning of year	**22,914,398**	22,637,594
Interest cost	**1,812,766**	1,778,024
Current service cost (including voluntary contributions)	**1,196,280**	1,121,445
Benefits paid	**(1,000,941)**	(1,387,947)
Actuarial gain on obligation	**(52,881)**	(1,234,718)
Present value of funded obligations at end of year	**24,869,622**	22,914,398

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

	2022 $	2021 $
Net liability at beginning of year	**(2,639,953)**	(1,617,344)
Net expense recognised in the consolidated statement of comprehensive income	**(957,831)**	(929,916)
Contributions paid	**1,441,099**	1,170,872
Remeasurements included in the consolidated statement of other comprehensive income	**(1,489,332)**	(1,263,565)
Net liability at end of year	**(3,646,017)**	(2,639,953)

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18 Employee benefits *...continued*

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

	2022 **$**	**2021** **$**
Current service cost	**750,659**	785,566
Interest on obligation	**1,812,766**	1,778,024
Expected return on plan assets	**(1,839,189)**	(1,633,674)
Interest on effect of IFRIC 14	**235,595**	–
Total included in employee expenses	**959,831**	929,916

The amounts recognised in other comprehensive income are as follows:

	2022 **$**	**2021** **$**
Actuarial gain on obligation	**(683,577)**	1,234,718
Actual return on plan assets	**1,234,159**	2,149,516
Expected return on plan assets	**(1,839,189)**	(1,633,674)
Gain from change in assumptions	**736,458**	–
Effect of asset ceiling	**(575,834)**	–
Effect of IFRIC 14	**(361,349)**	(3,014,125)
Total included in other comprehensive income	**(1,489,332)**	(1,263,565)

	2022 **$**	**2021** **$**
Actual return on plan assets	**1,234,159**	2,149,516

Plan assets are comprised as follows:

	2022	**2021**
Mortgages	**19%**	19%
Bonds	**52%**	52%
Equities	**20%**	20%
Real estate	**2%**	2%
Current assets and liabilities	**7%**	7%
	100%	100%

(expressed in Barbados dollars)

18 Employee benefits *...continued*

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:

	2022	**2021**
Discount rate at end of year	**8.25%**	7.75%
Expected return on plan assets at end of year	**8.25%**	7.75%
Future promotional salary increases	**2.50%**	2.50%
Future pension increases	**1.25%**	0.75%
Future inflationary salary increases	**4.25%**	4.25%
Future changes in NIS Ceiling	**4.25%**	4.25%
Mortality	**GAM94**	GAM94

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

Asset volatility

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

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

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

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18 Employee benefits *...continued*

Changes in bond yields

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

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

		Impact on defined benefit obligation		
	Defined benefit obligation	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Base IAS 19 results	24,869,622			
Discount rate		1%	21,937,317	28,576,540
Salary growth rate		0.5%	25,823,656	23,982,631
Life expectancy		1 year	25,888,186	–

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.

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:

	2022 **$**	**2021** **$**
Current tax charge	**76,804**	387,598
Deferred tax charge	**373,699**	23,813
	450,503	411,411

(expressed in Barbados dollars)

19 Taxation *...continued*

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

	2022 $	2021 $
Income/(loss) before taxation	**4,243,485**	(21,348,994)
Tax calculated at statutory rate of 5.5% (2021 - 5.5%)	**233,392**	(1,174,194)
Effect of sliding scale of tax rates	**(107,329)**	(88,864)
Tax effects of the following:		
Expenses not deductible for tax purposes	**396,816**	620,299
Movement in deferred tax asset not recognised	**47,986**	905,888
Prior year (over)/under provision - current and deferred tax	**(22,180)**	229,419
Income not subject to tax	**(78,011)**	–
Gain not subject to tax	**–**	(47,500)
Investment allowance	**(20,171)**	(33,637)
Taxation charge	**450,503**	411,411

Deferred taxes

	2022 $	2021 $
Deferred tax liability - beginning of year	**237,911**	202,710
Deferred tax charge	**373,699**	23,813
Deferred tax (credit)/charge relating to components of other comprehensive income	**(41,276)**	11,388
Deferred tax liability - end of year	**570,334**	237,911

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19 Taxation *...continued*

The deferred tax liability recognised is comprised as follows:

	2022 $	2021 $
Accelerated tax depreciation	**(31,897,408)**	(15,093,828)
Unutilised tax losses (note 24)	**20,374,152**	10,416,151
Employee benefits liability/(asset) (note 18)	**104,525**	(588,955)
Right-of-use asset (note 17)	**(3,348,186)**	(3,406,926)
Lease liability (note 17)	**4,397,213**	4,347,900
	(10,369,704)	(4,325,658)
Deferred tax liability at 5.5% (2021 - 5.5%)	**(570,334)**	(237,911)

The above temporary differences have no expiry date, except for unutilised tax losses, the expiry dates of which are disclosed in Note 24.

The Group has a deferred tax asset which has not been recognised due to the uncertainty of recoverability in future periods.

The unrecognised deferred tax asset consists of the following components:

	2022 $	2021 $
Delayed tax depreciation	**3,860,326**	3,105,705
Unutilised tax losses (note 24)	**31,295,907**	30,751,773
Inventory provision	**342,306**	342,306
Employee benefits liability (note 18)	**3,541,492**	3,228,908
	39,040,031	37,428,692
Deferred tax asset at 5.5% (2021 - 5.5%)	**2,147,202**	2,058,578

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20 Share capital

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

	2022 $	2021 $
82,030 common shares	**41,014,809**	41,014,809

The shares are allotted as follows:

	2022 Number	2021 Number
Government of Barbados - common shares	**61,913**	61,913
National Petroleum Corporation - common shares	**20,117**	20,117
	82,030	82,030

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21 Revenue

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

	2022 $	2021 $
Crude oil	**39,527,430**	18,458,559
Natural gas (note 8)	**21,136,445**	10,964,575
	60,663,875	29,423,134

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

	2022 $	2021 $
Fuel oil	**169,188,219**	81,830,853
Asphalt feed	**20,680,469**	9,474,696
Diesel and gasoline	**241,316,779**	123,942,145
	431,185,467	215,247,694

Renewable energy revenue is comprised of the following:

	2022 $	2021 $
Photovoltaic revenue	**1,059,521**	366,884

22 Other income

	2022 $	2021 $
Interest income	**40,004**	36,937
Other income	**93,979**	178,580
Gain on disposal of property, plant and equipment	**37,234**	–
	171,217	215,517

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23 Other losses

	2022 $	2021 $
Loss on disposal of property, plant and equipment	**26,828**	167,558
Amortisation of tank heels (note 9)	**–**	183,750
Miscellaneous expenses - other	**220,926**	–
	247,754	351,308

24 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 recognised deferred tax liability are as follows:

Year	Losses b/fwd. $	Adjustment $	Incurred $	Utilised $	Losses c/fwd. $	Expiry date
2018	120,118	–	–	(34,454)	85,664	2025
2019	2,284,655	4,554,559	–	(4,192,778)	2,646,436	2026
2020	8,011,378	–	–	–	8,011,378	2027
2021	–	–	9,630,674	–	9,630,674	2028
	10,416,151	4,554,559	9,630,674	(4,227,232)	20,374,152	

Tax losses related to the unrecognised deferred tax asset are as follows:

Year	Losses b/fwd. $	Adjustment $	Incurred $	Utilised $	Losses c/fwd. $	Expiry date
2015	–	29,823	–	(29,823)	–	
2016	11,651,973	11,075	–	(2,070,576)	9,592,472	2023
2017	4,989,744	–	–	–	4,989,744	2024
2018	713,498	–	–	–	713,498	2025
2020	269,236	–	–	–	269,236	2027
2021	13,127,322	229,173	–	–	13,356,495	2028
2022	–	–	2,374,462	–	2,374,462	2029
	30,751,773	270,071	2,374,462	(2,100,399)	31,295,907	

The tax losses are as computed by the Group’s companies in their corporation tax returns and have as yet neither been confirmed nor disputed by the Barbados Revenue Authority.

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25 Expenses by nature

	2022 $	2021 $
Petroleum products	**446,709,307**	224,956,872
Staff costs (note 26)	**16,523,080**	13,758,295
Consulting and professional fees	**1,918,583**	1,048,705
Repairs and maintenance	**835,854**	1,146,257
Renewable energy	**2,612,548**	1,057,647
Insurance	**2,100,104**	1,972,977
Utilities	**626,444**	540,902
(Write back of)/loss allowance for amounts due from associated company	**(2,386,676)**	900,493
IDB project expenses	**835,914**	1,002,130
Other	**5,191,192**	5,915,965
Total cost of goods sold, terminal operating costs and general and administrative expenses	**474,966,350**	252,300,243

26 Staff costs

Staff costs funded by the Group were as follows:

	2022 $	2021 $
Wages, salaries and bonus	**13,123,989**	10,457,151
Allowances	**574,061**	525,886
National Insurance	**933,091**	918,247
Pension expense (note 18)	**959,831**	929,916
Medical and other costs	**932,108**	927,095
	16,523,080	13,758,295
Number of persons employed by the Group at year end	**138**	140

(expressed in Barbados dollars)

27 Non-cash investing and financing cash flows

	2022 $	2021 $
IDB project	**472,462**	144,606
Additions to property, plant and equipment	**5,595,749**	5,306,011
Amounts due to shareholder	**6,068,212**	–

28 Holborn facilities costs

On November 4, 2021, SOL Petroleum (Barbados) SRL and the Group negotiated an agreement whereby Sol Petroleum (Barbados) SRL will provide storage and handling services to the Group for an initial period of at least 5 years from December 1, 2021. This agreement automatically renews and continues for a further period of 5 years; subsequently it automatically renews on an annual basis. The services include the receiving, storage, handling and delivery of petroleum products in and out of Sol Petroleum (Barbados) SRL's Holborn Terminal located at Fontabelle, St. Michael at a standard fee rate of US$1.70 for each barrel of product delivered out of the terminal.

29 Contingent asset

In September 2005, there was an accident involving the Group's pipelines at Oistins and its shipper. Currently, the Group 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.

30 Contingent liabilities

Bank guarantees have been entered into by the Group to provide security on the bank borrowings of a subsidiary. The liabilities attached to these guarantees at March 31, 2022 amount to $30,800,000 (2021 - $30,800,000).

31 Write off of intra-governmental debt

During the year, the Ministry of Finance, Economic Affairs and Investment instructed the Group to write off receivables due from National Petroleum Corporation (note 8) in the amount of $22,210,878.

(expressed in Barbados dollars)

32 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.

33 COVID-19

The outbreak of COVID-19 in the first quarter of 2020, and measures taken subsequently by governments to contain the virus have resulted in travel and boarder restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty which have impacted economic activity and the demand for the Group's products.

The Group operates in the oil and gas industry, as the sole provider of petroleum products to the Barbados market. During the year ended March 31, 2022, the resurgence in local economic activity has resulted in an increase in revenue and an improvement in the Group's operating results.

Management therefore expects that the Group will continue as a going concern despite the economic impact of COVID-19. Management deems that the provision and sale of petroleum products is essential and as of June 30, 2022, was not aware of any significant adverse effects on the financial statements for the year ended March 31, 2022 as a result of COVID-19.

Barbados National Oil Company Limited
Woodbourne, St Philip, Barbados
246-**418-5200**