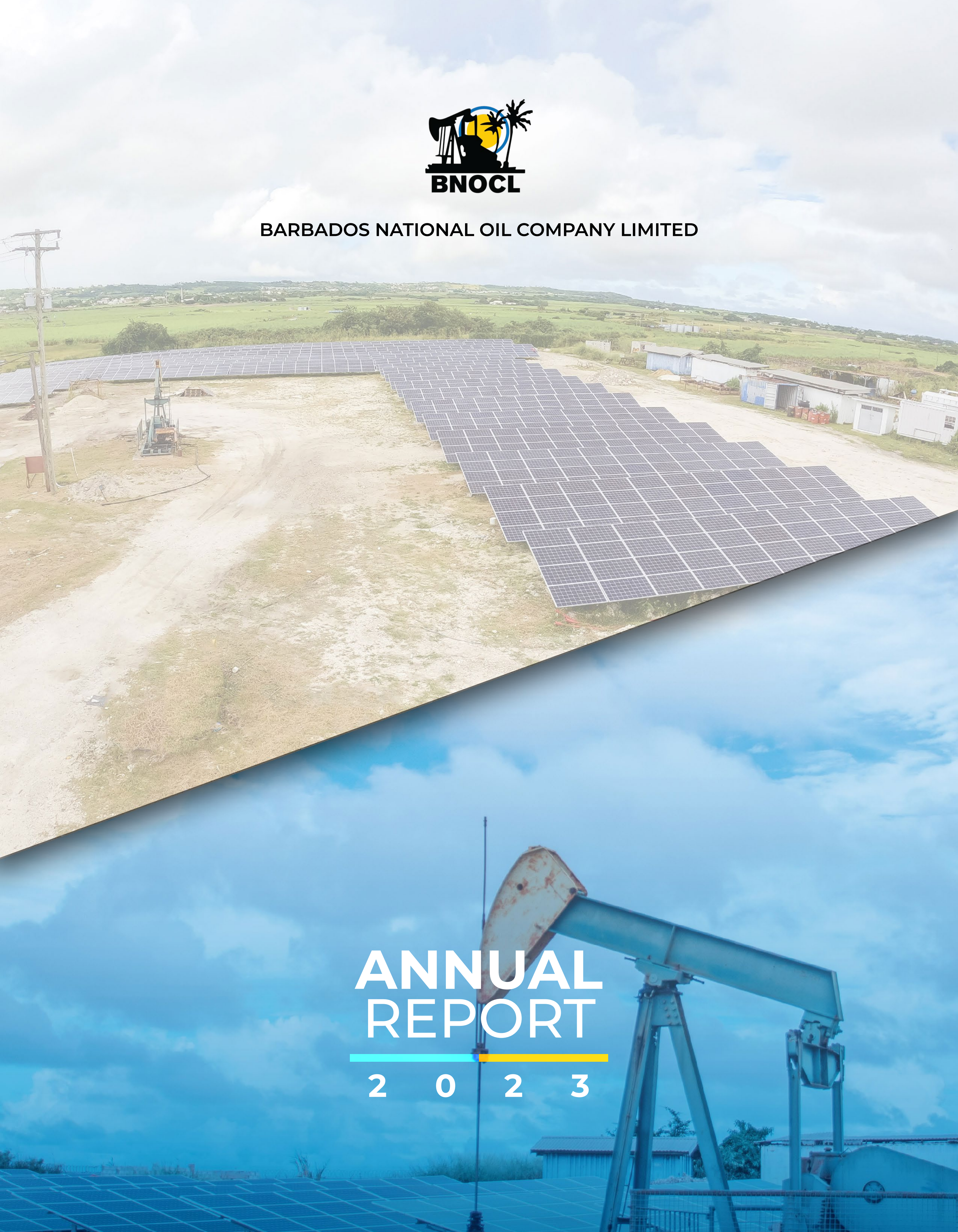

BNOCL

BARBADOS NATIONAL OIL COMPANY LIMITED

# ANNUAL REPORT

2 0 2 3

# ANNUAL REPORT AND AUDITED STATEMENTS | 2023

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BNOCL

## **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.*

# **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

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

Mr. Andrew Gittens, Permanent Secretary Ministry of Energy & Business (October 5, 2022 - appointed)

Mr. Jamar White, Representative of the Ministry of Energy & Water Resources (October 5, 2022 - resigned)

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

Mr. Herbert Yearwood – Deputy Chairman

Mr. Andrew Gittens, Representative Ministry of Energy & Business (October 5, 2022 – appointed)

Mr. Jamar White, Representative of the Ministry of Energy & Business (October 5, 2022-resigned)

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. Ronnie Gittens – Group Human Resources Manager

Mr. Terrance Straughn – Chief Operations Officer

Mr. Wesley Carter – Commercial Manager

Mr. Pedro Bushelle – Group Information Technology Manager

Mrs. Carolyn Forde-Bryan – Internal Auditor

Mr. Damian Catlyn – Group Health, Safety, Environmental and Quality Manager

Mr. Kirk King – Fuels Terminal Manager

## BOARD OF **DIRECTORS**

Mr. Victor A Fernandes
**Chairman**
**BNOCL / BNTCL**

Dr. Asquith Thompson
**Deputy Chairman**
**BNOCL**

Mr. Andrew Gittens
**BNOCL / BNTCL**
**Appointed October 5, 2022**

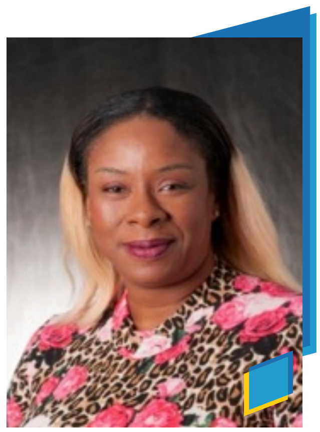
Mr. Jamar White
**BNOCL / BNTCL**
**Resigned October 5, 2022**

Mrs. Averill Brathwaite
**BNOCL / BNTCL**

Mrs. Andria Shepherd-Payne
**BNOCL / BNTCL**

Dr. Erwin Edwards
**BNOCL**

Mrs. Collette Applewhaite
**BNOCL**



Ms. Stephanie Catling-Birmingham
**BNOCL**

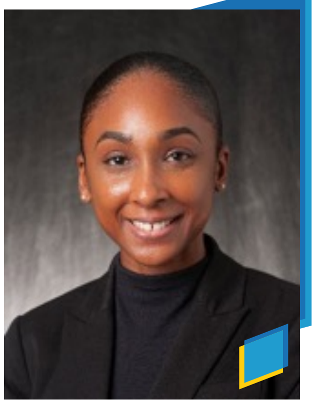
## BOARD OF **DIRECTORS**
CONTINUED

Ms. Liesel Weekes
**BNOCL**

Mr. Ross Maynard
**BNOCL**

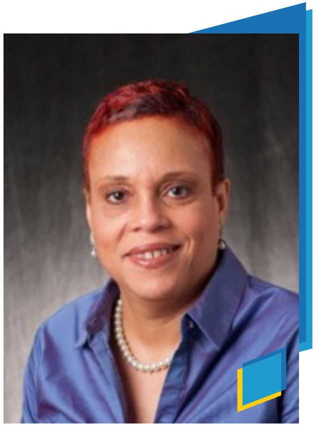
Mr. Herbert Yearwood
**Deputy Chairman**
**BNTCL**

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*

The 2023 financial year was one of the more challenging periods in BNOCL's history due mainly to both global and local socioeconomic factors. Against this backdrop, the Board of Directors is particularly pleased that the company succeeded in maintaining one of its most important operational tenets; that is, the continued security of supply of energy products over the financial year 2022-23. This mandate has been a critical element of the Company's existence as it has been a primary objective and one of BNOCL's defining standards over the years. The financial success of the Group was marginal, although BNOCL recorded total comprehensive income of $1.05 million. This marginal return underscored the significant operational challenges experienced by the Company over the course of the fiscal period 2022-23.

BNOCL's rebound from the operational and financial challenges associated with the COVID-19 pandemic was negatively impacted as the downstream sector, also suffered from ongoing cashflow issues stemming back to the Covid 19 period. This has resulted in a high level of long term receivables which has, in turn, become an impediment to the implementation of some of the Group's strategic and operational plans. Some of the Group's major objectives still remain and are listed below:

- Further development of on-shore oil and gas exploration and production.
- Continued research and development of alternative fuels (biogas, biodiesel etc)
- LNG storage for enhanced security of supply.
- Battery storage
- Cruise ship bunkering
- Renewable energy generation

The Group was required to spend significantly higher amounts on fossil fuels and spent almost $600 million on gasoline, diesel, fuel oil and Asphalt feed for commercial, utility consumption and production. This was a considerable increase from the previous years, when the expenditure was only $431 million, and did not include the quantum spent on LNG which also increased significantly. It is a credit to the synergy of policy, strategic direction, good operational management and tremendous staff buy in that the BNOCL Group was however able to ensure that the security of supply was maintained at the best possible prices despite the severe cash flow constraints and the operational challenges stemming from aging and inadequate infrastructure for the supply of HFO.

The Board of Directors is proud to state however, that the Company continued to provide, without failure, the supply of the following fossil fuels during the year:

- 727,239 barrels of gasoline
- 472,671 barrels of diesel
- 1,115,711 barrels of fuel oil
- 4,364,728 gallons of LNG

## **MESSAGE** FROM **THE BOARD OF DIRECTORS**

*BNOCL's commitment to the people of Barbados*

C O N T I N U E D

The Company in conjunction with the Ministry of Energy and Business continues to make progress towards the realization of the offshore natural gas recoveries. We look forward to kicking off a new bid round before the end of this calendar year 2023. Simultaneously, the BNOCL seeks to advance further onshore drilling for more crude oil and associated natural gas for continued contribution to the national clean energy bridge.

BNOCL will continue to forge ahead with bunkering as in March 2023 the Group led a collaboration with NPC and pioneered the provision of LNG to the Carnival Cruise Line's new LNG ship Arvia. This is a major milestone since it established proof of concept and the Group hopes to be able to spring board off this success into a potentially lucrative area of operation.

Looking further forward, BNOCL expects the continued inexorable decline of liquid fossil fuels. Major users like the Transport Board have started the transition to electric fleets. Electricity generation is increasingly being delivered by Renewable energy and tax incentives and government policy have increased the adoption rate for EVs and hybrids. Against this back drop the Group can proudly state that it has been part of the push towards more sustainable energy and the 2030 carbon neutrality goals. The Group has achieved limited success in its photovoltaic installations as it has installed 2.75MW of photovoltaic systems to date, with another 4.15MW to be completed in-house shortly and approximately $20 million worth of smaller, private projects at various stages of implementation. Additionally, the Company has also played its part in the energy revolution by providing quality affordable components through the sale of PV modules, inverters, small batteries and solar generators.

The Group envisions a brighter financial future as it is expected that there will be some reprieve from the cash flow constraints in the medium term. This should allow the Group to realise more of its objectives and move further along the path of strategic realignment. Even though we look forward, we should remember the journey taken and in the upcoming calendar year the BNOCL and the BNTCL will be celebrating key milestones; 40 and 25 years of providing service to the island respectively. The Board of Directors would like to issue its congratulations and we pledge that, along with staff, the Group will continue to illustrate our commitment to the nation and renew our pledge to serve both Company and country.

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.

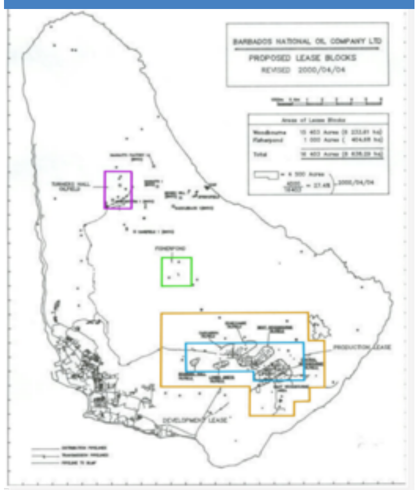
BNOCL has constantly pursued the diversification of the energy mix in the country, particularly as it relates to alternative energy sources for commercial and industrial purposes. The objective of this policy direction is to assist in reducing the country's dependence on imported fossil fuels, thereby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

The Company has taken into consideration the challenges being posed by the global energy transition and continues to accelerate investments in renewable energy technologies and low-carbon solutions as part of a broader effort to transition its onshore oil, gas and production business to a full-fledged, integrated energy company. This includes the development of solar and wind energy, investments in battery storage and research into the use of hydrogen, Liquified Natural Gas and biofuels. These efforts are reflective of the Company's commitment to championing the transformational goals outlined in the Barbados National Energy Policy and supporting the island's strong climate advocacy.

### 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. Up until September

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

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

## OFFSHORE EXPLORATION

BNOCL continues to administer the Government's carried interest in respect of the Carlisle Bay and Bimshire offshore blocks which are currently licensed to Australian exploration company, Woodside Energy (formerly BHP Billiton). Following its encouraging 3D seismic survey results, Woodside Energy elected into the second optional phase of exploration for the Bimshire block and was granted additional time by the Government to undertake further geological and geophysical studies to de-risk exploration in the Carlisle Bay block. During the reporting period, super major, Shell, acquired a 40% minority interest share in each of the two blocks and is expected to bring its vast deepwater experience to bear in helping Woodside explore Barbados' offshore. BNOCL is part of the Barbados Offshore Development Team whose purpose is to advance the progress of the exploration.

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

**Barbados National Oilfield Services Limited (BNOSL)** was incorporated in 1996 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. BNTCL, which was constructed in 2004, commenced operations at the temporary Needham's Point Facility in St Michael. It currently operates from its state-of-the-art terminal at Fairy Valley, Christ Church.

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

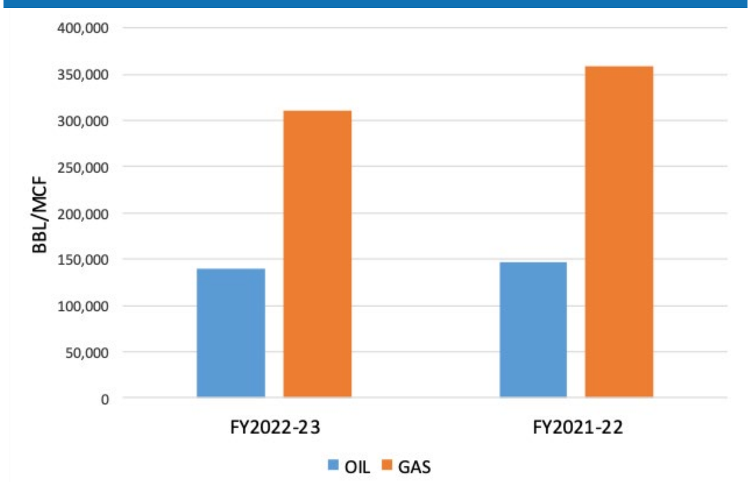
**Barbados National Oil Holding Company Limited (BNOHCL)** manages certain real estate assets owned by the Group.

## TECHNICAL AND OPERATIONS OVERVIEW

### CRUDE OIL & NATURAL GAS PRODUCTION (CHART 1 BELOW)

Oil and gas production decreased moderately by 5% and 13% respectively during the financial year 2022-2023, when compared to the previous fiscal year. The field-wide decline is the expression of mechanical and natural decline with no new oil wells being added. With the COVID-19 Pandemic impacting less on operations, the company commenced work under an Enhanced Recovery and Cementation contract with Trinidadian company T N Ramnauth and Company Limited. The production resulting from the work performed under this contract, while modest, stemmed the decline in both oil and gas production. The production of shut-in temporarily abandoned wells which had recharged continued during the financial year 2022 to 2023. This category of well would have a greater impact on oil production than gas production.

CHART 1: **PRODUCTION**




| PRODUCTION | | | |
|---|---|---|---|
| PRODUCT | 2022-2023 | 2021-2022 | % DIFFERENCE |
| OIL (bbl) | 139,982 | 147,278 | (5) |
| GAS (mcrf) | 311,243 | 358,854 | (13) |

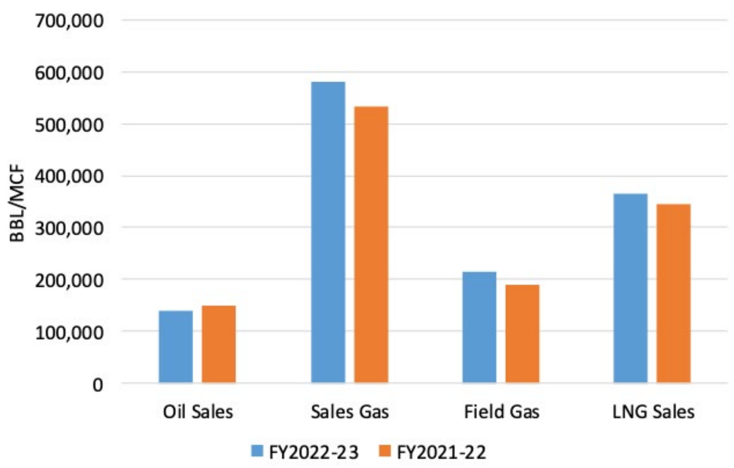
### CRUDE OIL & NATURAL GAS SALES (CHART 2 ON PAGE 13)

Crude oil sales during the financial year 2022 to 2023 of 139,725bbl represents a 7% reduction when compared to the financial year 2021 to 2022. This reduction is commensurate with the reduction in crude oil production of 5%.

Sales Gas increased in response to the increased appetite for travel and tourism with the COVID-19 Pandemic receding. Gas sales during the financial year 2022 to 2023 increased by 9% in comparison to the financial year 2021 to 2022, with LNG sales increasing by 6% and Field Gas sales increasing by 14%.

Since 2016 Sales Gas has been a mixture of gasified imported liquefied natural gas (LNG) and gas produced by BNOCL's wells referred to as Field Gas. In the financial year 2021 to 2022 Field Gas contributed 35% of Gas Sales with LNG contributing 65%. There was little change in the relative contributions of gasified LNG and Field Gas to Sales when the two (2) years are compared. During the financial year 2022 to 2023 the contribution of Field Gas increased to 37% from 35% while LNG's contribution decreased to 63% from 65% in the same period:

CHART 2: **PRODUCT SALES**

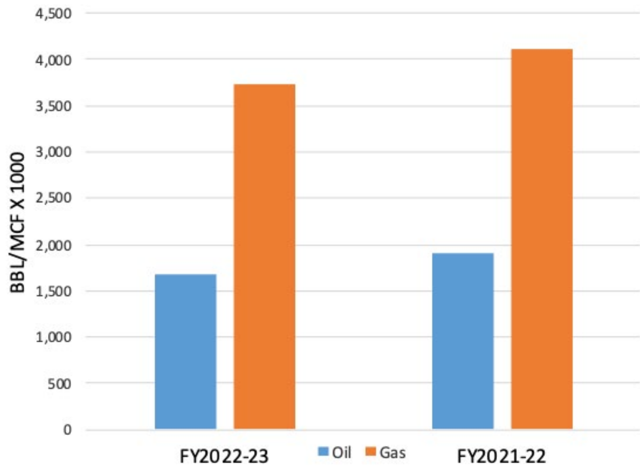



| PRODUCT SALES | | | |
|---|---|---|---|
| **PRODUCT** | **2022-2023** | **2021-2022** | **% DIFFERENCE** |
| **OIL (bbl)** | **139,725** | **150,604** | **(7)** |
| **Sales Gas (mcf)** | **581,403** | **533,685** | **9** |
| **Field Gas (mcf)** | **215,736** | **188,734** | **14** |
| **LNG (mcf)** | **365,667** | **344,951** | **6** |

## **RESERVES** (CHART 3 ON PAGE 14)

At March 31, 2023 crude oil reserves were assessed at approximately 1.68MMbbl and gas reserves at 3.73BCF – a reduction of 12% and 9%, respectively in comparison to the assessment a year ago of 1.91MMbbl and 4.1BCF gas. These changes are the result of the natural and mechanical decline of the field during the financial year. These declines are not unexpected given that there has been no activity to increase the reserves. The workover, recompletion and enhanced recovery activities need to continue to address the mechanical decline:

CHART 3: **RESERVES**




| RESERVES | | | |
|---|---|---|---|
| **PRODUCT** | **2022-2023** | **2021-2022** | **% DIFFERENCE** |
| **OIL (bbl)** | **1,676,611** | **1,911,251** | **(12)** |
| **Gas (mcf)** | **3,733,703** | **4,112,773** | **(9)** |

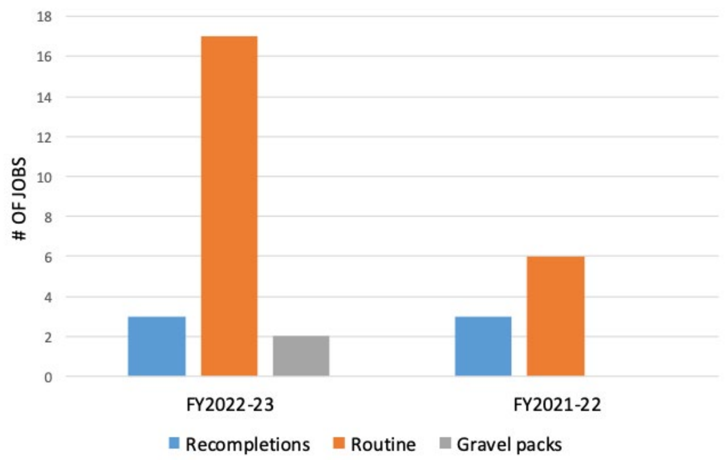
## WORKOVERS (CHART 4 ON PAGE 15)

During the financial year 2022-2023 workover activity improved considerably in comparison to the financial year 2021-22. A total of twenty-two (22) workovers were performed versus nine (9) in the previous year.

Under the Enhanced Recovery contract with T N Ramnauth and Company Limited (TNRCL) which was signed in June, 2022 two (2) gravel packs were performed in the Lower Greys field. With the assistance of TNRCL personnel, the same number of recompletions were performed during the financial year 2022-23 as were performed in the financial year 2021-22.

Workovers to address wax deposition and replace subsurface pumps increased to seventeen (17) from six (6) in the previous year.

CHART 4: **WORKOVER ACTIVITY**




| NUMBER OF WORKOVERS | | |
|---|---|---|
| NATURE OF WORKOVER | 2022-2023 | 2021-2022 |
| Recompletion | 3 | 3 |
| Gravel pack | 2 | 0 |
| Plug & abandonment | 0 | 0 |
| Routine | 17 | 6 |
| TOTAL | 22 | 9 |

## TRAINING

All Engineering & Wireline staff were exposed to HSSE organized Fire Safety Training in July and August 2023. This training was facilitated by the Barbados Fire Service.

## **COMMERCIAL** OVERVIEW

Oil prices on the World Market for the fiscal period April 2022 to March 2023 were 19% higher than the previous period. Nevertheless, the highest price reached during the year under review was US$124, compared to the previous year's peak of US$127 per barrel. The price history for the current fiscal year is depicted in Chart 5 below.

CHART 5: **Brent Crude Oil Price Movements (US$ / BBL)**


During the fiscal period April 2022 to March 2023, BNOCL's imports of gasoline increased by 8% whilst there was an increase for diesel of 1%, compared to the previous year. In addition, the Company's heavy fuel oil (HFO) import quantities decreased by 14%.

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.

### Gasoline

For the year under review, the quantity of gasoline imported increased by 8% over the previous year as 727,239 barrels of the product were imported from PARIA Fuel Trading Company, based in Trinidad. During the year under review, the maximum and minimum purchase prices for gasoline were BD$373 and BD$226 per barrel, respectively. However, the average purchase price of this product was BD$285 per barrel.

### Ultra-Low Sulphur Diesel (ULSD)

The quantity of ULSD imported increased by 1% during the year under review, compared to the previous year, as 472,671 barrels of ULSD were purchased at an average price of BD$338 per barrel. The maximum and minimum purchase prices for ULSD were BD$406 and BD$268 per barrel, respectively.

### Heavy Fuel Oil (HFO)

During the fiscal period under review, BNOCL imported 1,115,711 barrels of HFO. The total imported was supplied primarily as follows: West Indies Petroleum approximately 27%, Vitol Inc in St. Eustatius approximately 59%, and Antilles Trading Company SEC approximately 5% with the remaining supply coming from assorted companies.

As much as 93% of HFO imported into the domestic market was consumed in power generation, while the remainder was used for asphalt production.

### Importation of Liquefied Natural Gas (LNG)

During the fiscal year, BNOCL imported 428 cryogenic ISO containers, which amounted to 4,364,728 gallons (or 360,721 MMBtu) of Liquefied Natural Gas (LNG), to supplement domestic, commercial and residential demand.  This amounted to an increase of 9% 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 4% of the imported gas; while Crowley LNG based in Puerto Rico and AES of the Dominican Republic supplied 85% and 11% respectively.

## RENEWABLE ENERGY SEGMENT – COMMERCIALISATION INITIATIVE

### Solar PV (Residential & Commercial)

In this fiscal year PV equipment sales totalled approximately Bds$1.2million with the majority being through the sale of PV modules. BNOCL acquired fifty-five (55) new residential customers, as well as ten (10) commercial customers, through cash and royalty contracts valued at approximately Bds$ 9million. These encompassed rooftop solar, ground mount solar and agro solar systems.

The Commercial team has been able to produce a high standard of proposals; incorporating Solar PV renders as well as financial analysis to determine the feasibility and viability of projects, to the benefit of customers and the organization.

## RESEARCH & DEVELOPMENT

### Biodiesel

The need for transition fuels in the transport sector was one of the main drivers highlighted within this research area. Barbados has set a target of becoming 100% renewable and carbon neutral by the year 2030 and, in light of this, the commercial team has set out to meet with various biodiesel producers to commence a pilot project to support the use and uptake of biodiesel as a transition fuel.

### Battery Storage

As the Company transitions to being an "energy provider", battery storage is seemingly becoming necessary to mitigate the fluctuations associated with intermittent sources of renewable energy. BNOCL is currently in the process of liaising with energy storage providers to incorporate complete large-scale commercial energy storage solutions into the energy mix, in addition to the residential hybrid, battery-backup storage solutions that are already being provided. The Company has had exploratory discussions with battery suppliers in the industry and will be developing its strategic pathway in this area, in the very near future.

## CORPORATE SOCIAL RESPONSIBILITY AND PROMOTIONS

### Community Outreach

BNOCL continued the expansion of its corporate social responsibility initiatives, by supporting wholesome activities and the promotion of better quality of life, throughout the year under review.
During Literacy Week, which was held during Education Month in October, the Company provided books for distribution to several schools. Additionally, Staff participated in reading and story-telling activities at Reynold Weekes and Gordon Walters Primary Schools.


Mr. Richard Goddard & Ms. Rasheena Dow with the students of Gordon Walters

### Business Development and Promotions

BNOCL's Commercial and RE departments took the opportunity to display the Company's portfolio of products and services at the Ministry of Energy sponsored Business Expo held on June 25th, 2022, in Hoyte's Village St. James.

In addition, representatives from the Commercial Department participated in the Barbados Chamber of Commerce's inaugural Renewable Energy Forum and Expo, held on October 19th, 2022.

BNOCL showcased its products at AGROFEST held on February 24-26, 2023. The Team was pleased with the many engaging interactions held with attendees.


BNOCL at Agrofest 22

### Internal Relationship Building

During the month of April, BNOCL's inaugural FunFest '22 event was launched. This was an initiative of the Commercial Department through close collaboration with the Human Resources and the Health, Safety and Environment departments. This event saw Staff grouped into six (6) teams to compete against each other in various activities.Team Purple was the victorious group at the grand finals which were held on May 6, 2022.

The Renewable Energy and Commercial departments hosted an Open Day on November 25, 2022, for members of Staff. At the event, a number of small businesses from the Barbados Trust Loan Fund as well as BNOCL's Renewable Energy Department displayed their products and services. Additionally, representatives of Republic Bank (Barbados) Limited were also on hand to encourage Staff to take advantage of various attractive loan offerings. Staff demonstrated much interest in the products and services offered.


Members of Team Purple

Board and Management engaging on April 29, 2022

# **TERMINAL** OVERVIEW

## CELEBRATING 25 YEARS OF EXCELLENCE

The financial year 2022 to 2023 marked the beginning of the slow transition to a post-COVID-19 reality for Barbados and indeed the Barbados National Terminal Company Limited (BNTCL). Restrictions were lifted as vaccine roll-outs reached critical mass and new case numbers, and more importantly deaths, started to fall. While still not "business as usual", the start of the financial year in April 2022 was met with optimism for the prospect of a rebounding economy buoyed by the momentum of reopening trade and energy demand.

Indeed, from BNTCL's perspective there was additional cause for optimism, for at the end of the fiscal period, in February 2023, BNTCL would celebrate its 25th anniversary.

As the Company celebrated this milestone it was an opportunity to reflect on the road the Company travelled and the path ahead. The world had certainly changed since BNTCL was established in 1998 at the Needhams Point Facility, after a refinery agreement between the Government of Barbados and the Mobil Refinery expired, and the subsequent closure of said refinery. However, the mandate remains familiar and still relevant to facilitate the importation and storage of refined petroleum products and the storage and exportation of locally produced crude oil; and in so doing protect and guarantee the security of Barbados' energy needs.

BNTCL has borne this sobering responsibility with pride these last 25 years. This is largely due to the dedicated and excellent staff that constitute the BTNCL team, and it is this team that BNTCL shall depend on in the future.


The BNTCL Team Celebrating 25 years of excellence

## HEALTH, SAFETY, SECURITY, ENVIRONMENTAL (HSSE) MANAGEMENT

From an HSSE perspective, the team was able to refocus after two years of managing the pandemic threat, and the health and wellness of the staff. Following the guidelines of central government and the directives from the Ministry of Health, the restrictions and controls that had served us well during the pandemic were slowly retracted, in the usual cautious risk based manner. The operating hours of the terminal were regularized and occupancy levels returned to normal while maintaining physical distancing and mask wearing where applicable. Later in the year these last restrictions were also removed.

As BNTCL returned to "business as normal" in the new reality, the HSSE leadership saw the need to redouble efforts to focus on and in some instances reinforce the culture of safety. It can be said that during the period of reduced social interaction and restricted communications that some aspects of this culture did suffer, as could be expected in the adverse circumstances.

In July 2022, the Terminal's longstanding record of days without a Loss Time Injury (LTI) came to an end at 1,120 days. The incident involved a faulty door closing mechanism and caused a minor injury to the ankle of the employee in question. Management has redoubled the efforts to focus on HSSSE training, regular safety toolbox meetings and an overall culture of safety.

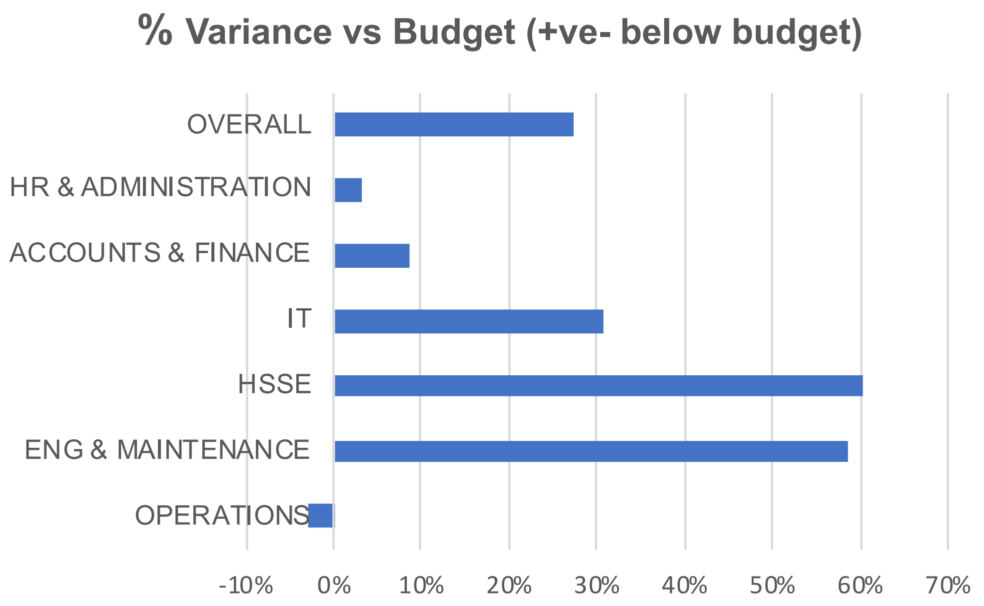
## BUDGETARY MANAGEMENT

Management continued to exercise prudence and control with expenditure during the financial year. The total operating expense in the cost centres, (Operations, Engineering & Maintenance, HSSE, IT, Accounts & Finance and HR& Administration), was some 27.3% below what was budgeted. While the majority of savings were due to large maintenance projects that had to be delayed as a result of global supply chain issues as relates to key materials and equipment, overall the cost controls that served BNTCL through the pandemic were maintained where possible. As an example, non-critical monthly reoccurring activities with considerable associated expenses were moved to every two months, while measures were implemented to reduce overtime: taking a risk-based approach as is the Company's strategy when evaluating significant operating expenditure related to asset integrity management.

As mentioned above major operations maintenance expenditure projects such as the annual Oistins berth survey and inspection as well as preliminary inspection/ maintenance of the terminal's seven onshore pipelines did not materialize as planned due to supply chain issues. Despite these delays, Management remains confident of the integrity of the assets and indeed in keeping with a risk-based approach increased the frequency of periodic inspections. Elements of the Oistins mooring hardware that showed the most degradation (one mooring buoy and two pick-up buoys) were replaced and the full Oistins Project was completed on May 12, 2023. The pipeline cleaning and inspection programme has been scheduled to be completed before the end of the first half of the next financial year.

Due to these measures and deferments, most departments maintained favourable variances for most of the financial year.

FIGURE 1: **Operating Expenses Select Departments %Variance vs Budget**




## INVENTORY MANAGEMENT

The rebound in trade and demand for energy products translated to robust volumes through the terminal in 2022-2023. This was tempered somewhat by some external factors such as the steady penetration of electric mobility and Government policies, as well as rising inflation wherein escalating food costs rivaled energy requirements in the consumers' wallet share.

For the period under review, there were approximately 52 tanker operations which discharged a total of approximately 2,417,633 bbls of “Clean Petroleum Product” (CPP) as received physically in the tanks, consisting of 718,504 bbls of unleaded gasoline (ULG), 476,787 bbls of ultra-low sulphur diesel (ULSD) and 1,222,342 bbls of aviation fuel (JET A1). The overall CPP figures showed an increase of approximately 7% compared to 2021-2022 figures of 2,260,581 bbls. Importation of all three products contributed to this overall increase with gains in JET A1, ULG and ULSD of 9%, 7% and 2% respectively.
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 1,225,300 bbls for the period under review in comparison to 1,072,817 bbls of the previous year, an increase of approximately 14%.

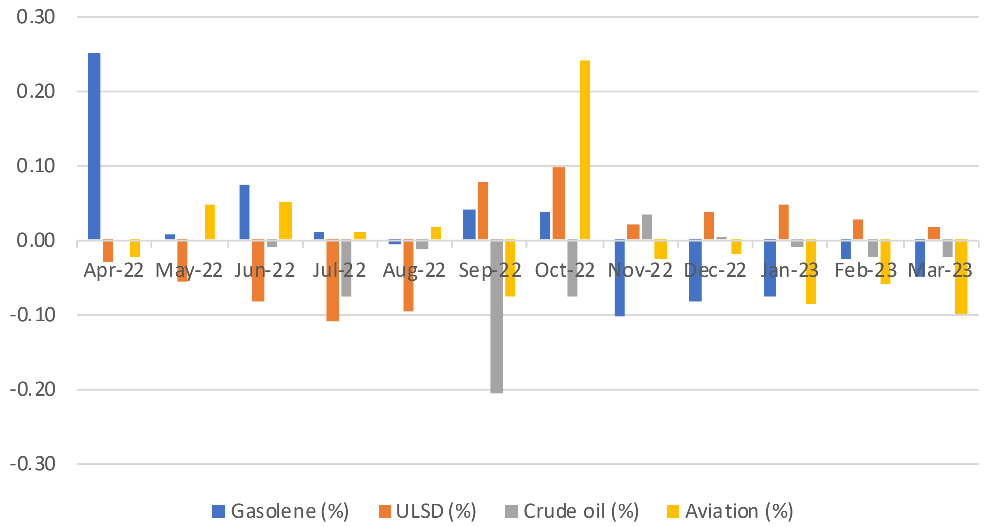
With respect to sales, overall throughput figures for CCP increased by approximately 5%, with overall sales recorded as 2,412,445 bbls compared to 2,306,173 bbls. ULG sales showed an increase of 9% over the previous period. ULSD showed a marginal increase of 2% and the sale of JET A1 contributed a percentage increase of 3%. Fuel oil figures moved from the previous year of 1,034,355 bbls to present recorded sales of 1,199,226 bbls, an increase of approximately 164,871 bbls or 16%.

Crude oil exportation from the terminal measured approximately 166,732 bbls compared to 168,321 bbls for the previous year resulting in a decrease of approximately 1%.
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 -0.06% to 0.04%, well within acceptable industry standards (±0.1% max).

Monthly variances with min/max peaks ranging from -0.20% to +0.25 % were attributed to both random and systematic errors within the various points of custody transfer measurements.

As custodians of product on behalf of customers, control of inventory variances is one of the primary objectives. BNTCL strives for continuous improvement as it aims to reduce operating losses to well below accepted industry standards. In the last financial year new tank radars gauges with improved accuracy and reliability were procured. These are expected to be installed in the coming year and should significantly increase the accuracy of measurement and the overall reconciliation of products at the terminal.

FIGURE 2: **Monthly Product Losses / Gains (%) April 2022 - March 2023**




## ASSET INTEGRITY AND MAINTENANCE MANAGEMENT

Risk-based inspections and a robust preventative maintenance program were the pivotal elements in maintaining the terminal's 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 and Human Machine Interface (HMI) and Supervisor Control and Data Acquisition (SCADA) systems were achieved to deliver consistent, safe, and reliable operations.

One key aspect of the preventative maintenance program that was undertaken during the year was the inspection of the aviation fuel (JET A1) tanks (T41 and T42) as required and prescribed by the American Petroleum Institute (API) Standard 653 which provides guidance on Tank Inspection, Repair Alteration and Reconstruction.

The cleaning and API 653 inspection works began in earnest in August starting with Tank 42 and ultimately completed in early October with Tank 41. The tanks were safely prepared by the in-house maintenance and engineering team. Under the BNTCL's Safe Permit to Work (PTW) system and taking the necessary precautions inclusive of explosive gas testing, the tank was opened and force ventilated; in order to create a safe environment for the tank cleaning and ultimately the inspection of the tanks.

The nominated API 653 Inspection company mobilized as scheduled and completed their work within the prescribed window thereby minimizing disruption and allowing the tanks to be back in service well before the start of the busy winter aviation season.

The key elements and findings of the report are summarized below:
After a thorough visual inspection, ultrasonic thickness gauging, low frequency electromagnetic technique (LFET) scanning, settlement survey and put depth analysis, both tanks were found to be "in serviceable condition".

Some general internal coating deterioration and minimal external corrosion issues at the foundation drip rings were found as well as some isolated areas of corrosion on the respective roofs.

Coating repairs were recommended on the entire tank bottom of both tanks including the internal shell and roof/ rafters. This work will now be scheduled and planned with the team for financial year 2024- 2025 (Q1).

Secondly, the oil spill response vessel and general work boat, Responder I, has long been a cause of concern from a maintenance perspective. The lack of frequency of protracted operation in the open water has caused accelerated deterioration of key systems. The vessel was long overdue for a full dry-docking service but arranging this had proven difficult and expensive during the pandemic period. However, during the first quarter of 2022, management leveraged an internal resource from BNOCL who had expertise in marine maintenance. During the period, under the internal resource's supervision, the team successfully lifted Responder I from the water and transported it to the BNTCL yard for the much needed dry-docking. This exercise has already resulted in savings to the Company. Besides using the in-house team, the lifting and freighting services were provided via intercompany resources, from BNOS utilizing their equipment. In addition, the extremely expensive proposition of daily storage fees in a traditional third party boatyard were avoided by utilizing our own space.

The Company looks forward to the completion of these works at the beginning of the coming financial year and getting the vessel back into the water in fine working condition.


Tank 42 Out of Service and ready for API 653 Inspection

Lifting and Transporting of Responder I for dry-docking

## PROJECT MANAGEMENT

The BNTCL team pursued several projects during the period. The majority of the projects focused on either enhancing the operation's efficiency and resilience; or positioning BNTCL to participate and take advantage of the energy transition to renewable or sustainable sources.

### ASAP ERP ( Enterprise Resource Planning Software) IMPLEMENTATION

In the first quarter of the financial year a cross functional project team which involved Finance and IT completed implementation of key modules of the SAP ERP system at the terminal. This project now means that BNTCL is aligned with BNOCL and has already improved efficiencies in financial reporting and critical material management and procurement areas.

### Terminal Management Software

During the final quarter of the year the BNTCL team started the procurement process to acquire a new state of the art Terminal Management Software (TMS) solution which would improve the accuracy and efficiency of the terminal's billing and inventory reconciliation processes all of which are still very manual and prone to human error.

It is expected that this important project will be completed by the third quarter of the next financial year and in so doing greatly enhance the operational efficiency of the terminal.

### Biodiesel Pilot Project

The Company remains committed to the introduction of biodiesel to the Barbadian market on a small scale beginning with a pilot project. The installation of a biodiesel dispensing system was mechanically completed and commissioned at the end of the financial year. However, advances in the project were slow because of challenges encountered in finding a ratable and economically viable biodiesel supply for the testing and the pilot study.

### Battery Energy Storage System (BESS)

As variable renewable energy penetration increases, energy storage at the generation site will be essential to a resilient and flexible electricity network. Due to the inherent challenges between intermittent and baseload power systems, energy storage is integral to guaranteeing a seamless transition between systems.

With this backdrop, management made preliminary advances during the year towards a Battery Energy Storage System (BESS) at BNTCL alongside the previously approved and IDB funded 5MW solar photovoltaic (PV) installation at the site.

BNOCL/ BNTCL made a proposal to the IDB for Battery Energy Storage Systems at the facilities.

# RENEWABLE ENERGY REPORT

## EXECUTIVE SUMMARY

With the Barbados National Energy Policy goals and strategic objectives now firmly embedded into the Barbados economy towards becoming 100% fossil fuel free by 2030, the Barbados National Oil Company Limited (BNOCL) has positioned its strategic objectives around this policy to transition its legacy operations from a fossil fuel operation to one of a fully integrated energy company.

To this end, the Company centred its strategic approach around a revised vision statement to become a leading integrated energy company to provide innovative, reliable and affordable energy products and services by creating a diverse, cost-effective, high-quality energy solution at the beginning of the financial year. The Group achieved some success in residential PV installations which is expected to be replicated in commercial and utility photovoltaic installations.

## DOMESTIC INSTALLATIONS

At the beginning of the financial year, the government further boosted the residential PV sector through its budgetary proposal removing the requirement for an EPLA license for systems under 10kw. A target of 10 installations per month, set by BNOCL before this announcement, was expected to be bolstered by this incentive. In anticipation of the demand, the department increased execution capacity by expanding the number of installers from 2 to 7. Additionally, staff personnel in the technical department increased from 1 to 3.

However, this target has not been realized to date, with complete installations averaging seven per month and average new customers approximately nine per month. The discontinuation of the popular 15-year lease for public servants and some reputational damage caused by past systemic process problems within the department could have contributed to this lack of interest. Furthermore, the Feed-in-Tariff rates for domestic installation were revised from $0.4275/kwhr to $0.3425/kwhr. At the end of the financial year, forty two customers were connected to the grid.

## COMMERCIAL INSTALLATIONS

Commercial projects defined by systems ranging in size from 25kw to 1MW set a monthly target of 250kw per month, which was to be achieved through a systemic, strategic project approach. At the beginning of the year, commercial installed roof mount capacity stood at approximately 2.4MW, with another 350KW added within the financial reporting period.

The Blue Economy roof mount projects at Oistins and Bridgetown, respectively, are the two flagship commercial PV projects undertaken entirely by the Renewable Energy Department (RED) for complete project execution to build capacity.

The installation at Oistins is electrically and mechanically completed and has been inspected and approved by the Government Electrical Engineering Department. The Bridgetown installation is approximately 85% complete and is expected to be completed within the first quarter of the next financial year. The Electric Light and Power Act (ELPA) licenses had expired and BNOCL applied to the Ministry of Energy and Business to extend them to allow the interconnectivity of the two systems onto the grid. Contingent on being granted the extension by the Ministry of Energy and Business and the Barbados Light and Power (BL&P), the two systems are anticipated to be connected by the first quarter of the next financial year.

A singular government building installation project totaled roughly 2.1 MW installation capacity on various BIDC industrial buildings and started the previous financial year. During the current financial year the installation of the Direct Current and DC balance of system on most of the roofs was completed, albeit delayed by ongoing work roof repair works.

The installation at a commercial building (212KW), which commenced within the first quarter of the financial year and was undertaken using a new strategic approach of outsourcing a complete turn-key solution, was on schedule with the granting of the ELPA license and approved Single line Drawing. At the end of the financial period, the contractor had completed the installation of the DC components and was awaiting the arrival of the AC components, which had a lead time of 22-24 weeks for arrival in May to complete the installation. Additional challenges were being faced with BL&P procuring the switch gear and transformer, which will impact when the system can be connected to the grid.

Notwithstanding the challenges mentioned above, the department was about to complete the Rerum Project (95kw) system and prepare it for Government Electrical Engineering Department (GEED) inspection, and once successful, connection by BL&P.

The commercial department successfully concretized and forged contractual agreements for another 1.2MW of royalty-based and cash commercial projects. These projects are mainly ground mount along with 295KW of roof mount projects.

## UTILITY INSTALLATION

The Inter-American Development Bank (IDB), sponsored ground mount PV installations project, on various leased well sites, made slow but steady progress within the last year although complicated by the termination of the main contractor. Five of the seven sites, totalling 3.8MW, were completed, and inspection approvals were received from GEED. These sites (BNOC A, BNOC C, WB105, WB111, LG8, LG12) were now expected to be connected by the first quarter of the next financial year, contingent on the acceptance of the Renewable Energy Rider (RER) administrative requirements and the completion of BL&P's interconnectivity process. This process has been delayed due to the unavailability of critical components such as switch gears and transformers from the utility company. The other two sites, BNOCL carport and NPC carports, are expected to be completed within the first six months of the next financial year.

## **HEALTH, SAFETY, SECURITY & ENVIRONMENTAL (HSSE)** OVERVIEW

During the financial year 2022-2023, the activities of the Health, Safety, Security and Environmental Quality (HSSEQ) department continued to guide the BNOCL Group through the ever-changing environment created by COVID-19. The country began to re-open in earnest in 2022 and BNOCL adjusted its operations to meet not just the changing protocols but also to provide a comfortable and safe environment for staff who, in many cases were still uncomfortable with a full re-opening of activities.

The effect of COVID on operations reduced significantly as the number of infections plummeted. We continued to provide staff with personal hand sanitizers and masks until the bulk stock purchased was exhausted.

Our HSE performance improved in the last financial year with the lost time incident rate falling from 10.46 LTIs per 100 employees to 8.19 LTIs per 100 employees up to February 28, 2023. There was significant improvement in the Maintenance dept. as no LTIs were recorded in that department for the financial year in question. Unfortunately however, the Workover department continued to account for the highest number of incidents as the number of well activities increased significantly to make up for time lost during the COVID period.

The Company improved its resilience by completing the installation of 5,000 gallons of potable water storage on site at BNOCL Headquarters. This will allow staff to function normally for an extended period in the event of a prolonged water outage. The greywater storage issues were also rectified and rainwater is being utilized for the cleaning of fleet vehicles once more.

BNOCL continues to exceed our environmental requirements as the results of our groundwater monitoring in the oilfield have shown zero incidents of Total Petroleum Hydrocarbons (TPH) exceeding the acceptable levels over the past four (4) years; in fact only on rare occasions has TPH been detected at all.

As part of BNOCL's commitment to the environment in Barbados, BNOCL agreed to assist the Environmental Protection Department (EPD) in the handling of car mechanic waste. Vehicle mechanics across Barbados were forced to stockpile large volumes of used oils, resulting in many unfortunate cases of the illegal dumping of used engine oils in gullies and down the municipal storm water systems. BNOCL has worked with the EPD to develop a process in which used engine oil is collected from registered mechanics across the island and delivered to BNOCL for recycling and removal from the national waste stream.

# **HUMAN RESOURCES** OVERVIEW

## INTRODUCTION

The Human Resource's Department objective is to continue to retain the best available talent in response to organisational needs.  During the year 2022 to 2023, the Company redoubled its efforts to expand its commercial offering in the Renewable Energy space by finalizing several new contracts. Additionally, it was recognised that, in order to expand and maintain its customer base, greater attention was needed to improve the customer experience.

Recognizing that the resources had to be built out to meet the expansion of service offering, without overstaffing the Company, the decision was taken to retain staff through the use of fixed-term contracts. This offered the option to ending or extending the contracts depending on the needs of the business.  This strategy lends itself to support the project approach activity in the emerging renewable energy sector.  Furthermore, there were some areas of the commercial business that needed additional support and the decision was taken to reassign some members of staff who had the requisite skills to support the organization's needs.

The Company continues to invest in the staff to support its energy operations along with the staff from the other departments that are considered as support services. Several initiatives are being explored to assist with the development of operational employees in an effort to improve overall efficiencies. BNOCL's HR Strategy is intrinsically aligned with its goal of becoming a major player in the energy industry.

## STAFFING ACTIVITIES

### Maintenance Strategy

The Company also adjusted its strategy to address the maintenance of the operational plant across the Group, and the decision was taken to acquire the skill-sets required to improve the overall department performance. There was an adjustment to the recruitment strategy to offer additional engineering support to the Maintenance Manager.

### Operations Automation

The automation project at the Tank Battery and Gas Plant is one of the major projects in the pipeline that may have an organisation impact on the level of staffing in the two operational areas. Currently, the monitoring and recording in these two operational areas have been highly labour intensive. Operational efficiencies are expected to improve when automation activities come online.

Discussion on the organisation impact is ongoing since a project of this nature has the potential to impact staffing levels and the development of new skills.

### Secondary Recovery Program

Training and development are critical elements that help to drive improved performance, and the Company has been pursuing all available sources to assist with the development of its staff. BNOCL has been engaged in discussions with international oil companies out of Suriname and Trinidad to assist with the development of its staff. This strategy of practical knowledge transfer is the preferred method of learning. This strategy is intended to flatten the learning curve and improve the expected outcome of the planned Secondary Recovery Program. BNOCL staff would be allowed to share their experiences while they are exposed to other operations and different approaches to problem-solving.

### Common Services Agreements

The Common Services between BNOCL and the National Petroleum Cooperation (NPC) were reviewed and the objective was to ensure that both entities were adequately serviced and that the Common Services remained a valuable arrangement. Under the arrangement, BNOCL provides services to NPC in the areas of Procurement, Public Relations, Health Safety Security & Environment, and Information Technology. After the review process, NPC made the decision to terminate the majority of the common services from May 1, 2023. The one exception was to retain the services of the Information Technology Department.

## THE BNOCL/SJPI SCHOLARSHIP PROGRAM

The Scholarship program bore fruit during the year and six scholarship awardees were offered internships within the Group during the summer period. Those internships proved to be a valuable experience for all parties and two students were offered full time employment at BNTCL after they completed their internship.

## POST COVID

The impact of the COVID-19 pandemic lingered into the year under review, and affected the department's activities after the country was opened for business. The policies of procedures were reviewed to meet the needs of the changing environment, with the aim at allowing employees to execute their responsibilities in a safe manner.

Moreover, the department paid attention to the issue of mental health wellness, acknowledging the challenges that employees were having with returning to work and residual stress from living through the COVID-19 environment.

## 40th ANNIVERSARY CELEBRATIONS

Finally, the department began the planning process for the celebrations of the 40th Anniversary of BNOCL and the 25th Anniversary of BNTCL. Most of the activities will be covered during the coming financial year.

## STAFF APPOINTMENTS AND CHANGES

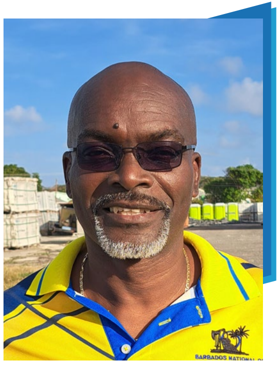
This year has been a period of further growth and changes to the structure of the BNOCL Group, the following staff were hired to meet the changes that were identified.

| DEPARTMENT | EMPLOYEE | START DATE | TITLE |
|---|---|---|---|
| Finance Department | Ms. Carla Parris | March 2023 | Accounts Clerk |
| Finance Department | Ms. Melissa Welch | December 2022 | Procurement Assistant |
| Finance Department | Mr. Dexter Gibbons | December 2022 | Procurement Assistant |
| Maintenance Department | Mr. Akil Cox | February 2023 | Maintenance Engineer |
| Marketing Department | Ms. Rachael Mc Kenzie | January 2023 | Business Development Officer |
| Renewable Energy Department | Mr. Javon Clarke | May 2022 | Renewable Energy Technician |
| Renewable Energy Department | Mr. Akeem Harding | July 2022 | Renewable Energy Technician |
| Renewable Energy Department | Mr. Carlos Blackman | February 2023 | Renewable Energy Officer |
| Operations (BNTCL) | Mr. Carlos Collymore | April 2022 | Operations Supervisor |

In October 2022, Mr. Richard Goddard transferred to the post of Project Engineer, providing additional support to the execution of our commercial renewable energy projects.

Also, congratulations are in order for Ms. Tara Parris, who was promoted to the post of Administrative Assistant at BNTCL in July 2022.

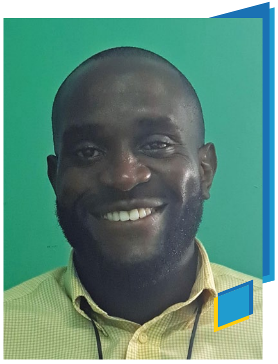
## WELCOMING NEW FACES & SEEING FAMILIAR FACES IN DIFFERENT PLACES



Mr. Carlos Collymore
**Operations Supervisor**

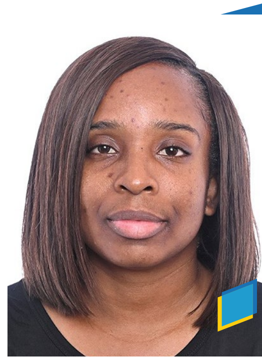

Mr. Javon Clarke
**Renewable Energy Technician**

Mr. Akeem Harding
**Renewable Energy Technician**



Mr. Dexter Gibbons
**Procurement Assistant**

Mr. Akil Cox
**Maintenance Engineer**



Ms. Carla Parris
**Accounts Clerk**

Ms. Melissa Welch
**Procurement Assistant**

Ms. Rachael Mc Kenzie
**Business Development Officer**

Mr. Carlos Blackman
**Renewable Energy Officer**

# **INFORMATION AND TECHNOLOGY** OVERVIEW

## INTRODUCTION

The Information Systems (I.S) Department goal is to ensure all Information and Communication Technology (ICT) assets are:

- Highly Available
- Secure
- Efficient
- Reliable

## CURRENT

The new Supervisory Control and Data Acquisition (SCADA) project was handed over to BNOCL and NPC. This system covers the oil and gas infrastructures and provides quality monitoring from all locations as St. Philip, Christ Church to St. James.

A new data center was proposed and approved by the Board of Management and will be in place for the financial period 2023-2024.

The specifications for the datacenter focused on Business Continuity and Disaster Recover (BCDR) with particular interest in cyber events.

## TRAINING

Training is currently earmarked for the members of the I.S Department for the financial year 2023-2024. This training will be centered around risk management and cybersecurity with the objective of aligning the BNOCL Group to international standards.

The Department has been working closely with the Ministry of Science Innovation and Technology through various workshops specifically concentrating on business continuity and disaster recovery. Another objective of this partnership is to ensure the Companies remain in compliance with the legal and regulatory frameworks as set by the Government of Barbados.

## CYBER SECURITY

BNOCL, BNTCL and NPC did not experience any significant cyber-attacks during the 2022-2023 period. In spite of this, focus still remains on ensuring the Companies can continue to securely access information.

The reality is that cyber threats have increased and will continue to increase given the reliance on information and communication technologies. As such, to ensure security and reliable access, the I.S Department's focus will be to ensure it remains agile in monitoring and also mitigating given the evolution of cyber-threats.

## CONCLUSION

Training remains critical towards ensuring staff within the I.S Department has the necessary skillsets to function within the ever changing information and communication technology landscape. Continuous improvement will always be a central model so as to ensure the Companies can achieve their corporate goals.

# **FINANCIAL** OVERVIEW

## INTRODUCTION

The BNOCL Group recorded total comprehensive income of $1.05 million for the year ended March 2023 as compared to total comprehensive income of $2.34 million in 2022. The parent company BNOCL as an entity recorded total comprehensive income of $0.47 million for the year 2023 as compared to a total comprehensive loss of ($2.95 million) in 2022. BNOSL recorded a net loss of ($4.64 million) in 2023 as compared to net income of $2.57 million in 2022. BNTCL recorded a total comprehensive income of $6.10 million in 2023. This was 15.9% more than the total comprehensive income of $5.26 million recorded in 2022.

The reduction in profitability at the Group level was primarily due to losses incurred as a result of severe challenges in the natural gas supply chain which then resulted in significant increases in operating expenses in BNOSL in order to ensure continuity of supply. Profitability was also negatively impacted by a 41% increase in the cost of utilizing the Holborn terminal.

## REVENUE

The Group's gross revenue increased by 35.5% from $497.5 million in the year ended March 2022 to $674.2 million in the current year under review. The sale of refined petroleum products accounted for $595.6 million or 88.3% of gross revenue for the current year. This represented an increase of 38.1% over the previous year's refined products revenue of $431.2 million. The significant increase in revenue from this segment of the business resulted primarily from the sale of product at significantly higher average prices.

Despite a small reduction in HFO volumes there was a significant 23% increase in revenue from the sale of fuel oil from $169.2 million in 2022 to $208.1 million in the year under review. Revenue from gasoline and diesel also increased significantly from $241.3 million in 2022 to $363.4 million in the year under review. This represented an increase of 50.6% or $122.1 million. Revenue from Asphalt feed increased by $3.35 million or 16.2% from $20.7 million in 2022 to $24.0 million in 2023.

Revenue from the sale of natural gas increased from $21.1 million in 2022 to $27.2 million in the year under review. The price of indigenous natural gas to the National Petroleum Corporation (NPC) was set on a sliding scale with a floor of $7.50 per mcf and a ceiling of $11.15 per mcf while 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 costs increased significantly as a result of the aforementioned supply chain challenges.

BNTCL's throughput fees to non-related companies increased by 3.6% or $0.2 million from $4.6 million in 2022 to $4.8 million in the current year. These amounts are included in the total terminal throughput fees of $26.0 million for the year under review. Total terminal throughput fees increased by $1.3 million or 5.1% compared to the figure of $24.7 million for 2022.

## OPERATING COST

The operating cost of the Group increased by 37.1% from $476.1 million in 2022 to $652.8 million in the current year. The major contributor was an increase in the overall cost of refined product to $607.1 million in the current year compared with a cost of $445.2 million in 2022. This represented an increase of 36.4% when compared to the previous year and was attributable primarily to generally higher costs per barrel for all refined products.

## GENERAL AND ADMINISTRATION EXPENSES

In the year under review, the Group's general and administration expenses increased by $2.3 million or 17.0% to total $15.6 million, while its finance costs decreased by 11.2% from $4.2 million in 2022 to $3.7 million in the year under review. 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 in 2022 before rising to $83.4 million at the end of the year under review.

## CASH FLOW

The Group utilized $3.3 million in its operating activities for the current year. This was a significant decrease in cash utilized when compared to the $17.95 million in cash utilized from operations in 2022. The Company also utilized $4.4 million cash in investing activities and generated $9.7 million in financing activities in the year ended March 2023. The opening cash balance of the Group was negative ($14.2 million) while the ending cash balance was negative ($12.2 million). This represented an overall increase of $1.99 million in the cash balance of the Group.

# BARBADOS NATIONAL OIL COMPANY LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 2023**

**(expressed in Barbados dollars)**

## Registered Office

Woodbourne, St Philip, Barbados

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

Mr. Victor A Fernandes – Chairman
Dr. Asquith Thompson – Deputy Chairman, Representative of the National Petroleum Corporation
Ms. Collette Applewhaite
Ms. Averill Brathwaite, Representative of the Ministry of Finance & Economic Affairs
Ms. Stephanie Catling-Birmingham
Dr. Erwin Edwards
Mr. Andrew Gittens Permanent Secretary Ministry of Energy & Business (October 5, 2022- appointed)
Mr. Ross Maynard
Mrs. Andria Shepherd-Payne
Ms. Liesel Weekes
Mr. Jamar White, Representative of the Ministry of Energy & Business (October 5, 2022- resigned)

## 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, 2023, 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, 2023;
- 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, 2023 and March 31, 2022 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 2023 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

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, 2023

# Barbados National Oil Company Limited

Consolidated Statement of Financial Position

**As at March 31, 2023**

(expressed in Barbados dollars)

| | 2023 $ | 2022 $ |
|---|---|---|
| **Current assets** | | |
| Cash on hand and at bank (note 5) | **3,191,909** | 1,480,063 |
| Term deposits (note 6) | **187,654** | 187,654 |
| Accounts and other receivables (note 7) | **75,654,756** | 69,221,283 |
| Due from associated company (note 8) | **6,300,167** | 5,467,206 |
| Due from shareholder (note 8) | **11,654,297** | 2,126,550 |
| Inventories (note 9) | **31,400,993** | 44,729,836 |
| Prepaid expenses | **1,427,486** | 1,444,394 |
| | **129,817,262** | 124,656,986 |
| **Current liabilities** | | |
| Bank overdraft (note 5) | **15,410,662** | 15,690,887 |
| Accounts payable and accrued liabilities (note 10) | **48,726,766** | 59,225,949 |
| Due to shareholder (note 8) | **729,954** | 77,964 |
| Borrowings - current portion (note 11) | **11,733,051** | 9,768,585 |
| Lease liability - current portion (note 17) | **1,365** | 1,229 |
| Corporation tax payable | **234,673** | 240,994 |
| | **76,836,471** | 85,005,608 |
| **Working capital** | **52,980,791** | 39,651,378 |
| **Due to shareholder** (note 8) | **(19,064,707)** | (17,895,567) |
| **Financial investments** (note 12) | **2,453,249** | 2,453,249 |
| **Investment in associated companies** (note 13) | **691,582** | 1,628,237 |
| **Property, plant and equipment** (note 14) | **147,864,057** | 149,793,230 |
| **Deposit on plant and equipment** (note 15) | **308,169** | 661,185 |
| **Provision for abandonment** (note 16) | **(10,410,953)** | (10,068,947) |
| **Right-of-use-asset** (note 17) | **3,289,447** | 3,348,186 |
| **Lease liability** (note 17) | **(4,394,619)** | (4,395,984) |
| **Employee benefits** (note 18) | **(2,858,806)** | (3,646,017) |
| **Borrowings** (note 11) | **(71,693,317)** | (63,561,134) |
| **Deferred tax liability** (note 19) | **(715,815)** | (570,334) |
| **Net assets** | **98,449,078** | 97,397,482 |
| Represented by: | | |
| **Equity** | | |
| Share capital (note 20) | **41,014,809** | 41,014,809 |
| Retained earnings | **57,434,269** | 56,382,673 |
| | **98,449,078** | 97,397,482 |

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

**Approved by the Board of Directors on June 30, 2023**

Asquith Thompson - Deputy Chairman

Averill Brathwaite - Director

# Barbados National Oil Company Limited

Consolidated Statement of Changes in Equity

**For the year ended March 31, 2023**

(expressed in Barbados dollars)

| | Share capital $ | Retained earnings $ | Total $ |
|---|---|---|---|
| **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 |
| Net income for the year | – | 1,202,134 | 1,202,134 |
| Other comprehensive loss | – | (150,538) | (150,538) |
| Total comprehensive income for the year | – | 1,051,596 | 1,051,596 |
| **Balance at March 31, 2023** | **41,014,809** | **57,434,269** | **98,449,078** |

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, 2023**

(expressed in Barbados dollars)

| | 2023 $ | 2022 $ |
|---|---|---|
| **Revenue** | | |
| Upstream revenue (note 21) | **69,470,435** | 60,663,875 |
| Refined products sales (note 21) | **595,582,786** | 431,185,467 |
| Renewable energy revenue (note 21) | **4,346,103** | 1,059,521 |
| Terminal throughput fees | **4,754,420** | 4,590,972 |
| | **674,153,744** | 497,499,835 |
| **Operating costs** | | |
| Cost of goods sold - refined products (note 25) | **607,104,806** | 445,151,579 |
| Cost of goods sold - crude oil (note 25) | **21,876,964** | 11,204,850 |
| Cost of goods sold - renewable energy (note 25) | **3,096,233** | 2,612,548 |
| Holborn facilities costs (note 28) | **5,128,133** | 4,011,748 |
| Terminal operating costs (note 25) | **3,088,795** | 2,662,493 |
| Depreciation (notes 14 & 17) | **7,603,817** | 7,810,451 |
| Depletion (note 14) | **1,103,899** | 798,319 |
| Royalties | **3,316,419** | 2,909,831 |
| Inventory write-off/(write back) | **480,671** | (1,104,722) |
| | **652,799,737** | 476,057,097 |
| **Gross profit** | **21,354,007** | 21,442,738 |
| **General and administrative expenses** (note 25) | **(15,595,996)** | (13,334,880) |
| **Finance costs** (notes 11 & 17) | **(3,721,302)** | (4,189,621) |
| **Operating profit** | **2,036,709** | 3,918,237 |
| **Other income** (note 22) | **389,625** | 171,217 |
| **Other losses** (note 23) | **(15,501)** | (247,754) |
| **Income before share of net (loss)/income of associated company** | **2,410,833** | 3,841,700 |
| **Share of net (loss)/income of associated company** (note 13) | **(936,905)** | 401,785 |
| **Income before taxation** | **1,473,928** | 4,243,485 |
| Taxation (note 19) | **(271,794)** | (450,503) |
| **Net income for the year** | **1,202,134** | 3,792,982 |
| **Other comprehensive loss** | | |
| *Items that will not be reclassified to income:* | | |
| Remeasurements of defined employee benefits (note 18) | **(131,266)** | (1,489,332) |
| Tax related to remeasurements of defined employee benefits | **(19,272)** | 41,276 |
| | **(150,538)** | (1,448,056) |
| **Total comprehensive income for the year** | **1,051,596** | 2,344,926 |

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, 2023**

(expressed in Barbados dollars)

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Income before taxation | **1,473,928** | 4,243,485 |
| Adjustments for: | | |
| Depreciation | **7,603,817** | 7,810,451 |
| Depletion | **1,103,899** | 798,319 |
| Pension plan expense | **994,116** | 957,831 |
| Share of net loss/(income) of associated company | **936,905** | (401,785) |
| Finance costs | **3,721,302** | 4,152,033 |
| Interest income | **(36,937)** | (40,004) |
| Gain on disposal of property, plant and equipment | **(26,553)** | (10,406) |
| Write-off of property, plant and equipment | **–** | (3,507) |
| IDB project expenses | **393,120** | 472,462 |
| Operating income before working capital changes | **16,163,597** | 17,978,879 |
| Decrease in term deposits | **–** | 7,565,423 |
| Increase in accounts and other receivables | **(6,433,473)** | (33,053,008) |
| Increase in due from shareholder | **(9,527,747)** | (16,659,712) |
| Decrease in due from director | **–** | 300 |
| Decrease/(increase) in inventories | **13,328,843** | (17,296,368) |
| Decrease/(increase) in prepaid expenses | **16,908** | (197,392) |
| Increase in due from associated company | **(832,961)** | (5,467,206) |
| (Decrease)/increase in accounts payable and accrued liabilities | **(10,499,183)** | 34,162,818 |
| (Decrease)/increase in due to shareholder | **(201,888)** | 77,964 |
| Cash generated from/(used in) operations | **2,014,096** | (12,888,302) |
| Finance costs paid | **(3,330,392)** | (3,773,547) |
| Pension plan contributions paid | **(1,912,593)** | (1,441,099) |
| Income taxes (paid)/received | **(151,906)** | 109,948 |
| Interest received | **36,937** | 40,004 |
| Net cash used in operating activities | **(3,343,858)** | (17,952,996) |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(4,393,576)** | (2,211,893) |
| Deposit on plant and equipment | **(30,992)** | (604,982) |
| Proceeds from disposal of property, plant and equipment | **26,553** | 37,234 |
| Purchase of investment in associated company | **(250)** | – |
| Net cash used in investing activities | **(4,398,265)** | (2,779,641) |
| **Carried forward** | **(7,742,123)** | (20,732,637) |

# Barbados National Oil Company Limited
Consolidated Statement of Cash Flows *...continued*
**For the year ended March 31, 2023**

(expressed in Barbados dollars)

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Brought forward** | **(7,742,123)** | (20,732,637) |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **20,000,000** | – |
| Repayment of borrowings | **(9,807,490)** | (9,150,094) |
| Proceeds/(repayment) of due to shareholder balance - long term | **29,684** | (23,537) |
| Principal elements of lease payments | **(488,000)** | (432,000) |
| Net cash generated from/(used in) financing activities | **9,734,194** | (9,605,631) |
| **Net increase/(decrease) in cash and cash equivalents** | **1,992,071** | (30,338,268) |
| **Cash and cash equivalents - beginning of year** | **(14,210,824)** | 16,127,444 |
| **Cash and cash equivalents - end of year** (note 5) | **(12,218,753)** | (14,210,824) |

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

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

(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***

**Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations (effective January 1, 2022).

**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).

***ii) New standards, amendments and interpretations mandatory for the first time for the financial period beginning April 1, 2022 but not currently relevant to the Group***

**Annual improvements** make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

(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, 2022 but not currently relevant to the Group*** *…continued*

**IFRIC Agenda decision - Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)**
In October 2022, the IASB finalised the agenda decision approved by the IFRS Interpretation Committee (IFRS IC) on 'Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)'. The agenda decision addresses the accounting from the perspective of the lessor, and in particular:

- how the expected credit loss ('ECL') model in IFRS 9 should be applied to the operating lease receivable when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted.
- whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.

***iii) New standards, amendments and interpretations issued but not yet effective for the financial period beginning April 1, 2022 and not early adopted***

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

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.** The 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 annual periods beginning on or after January 1, 2023).

**Amendment 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 annual periods beginning on or after January 1, 2023).

**Amendment to IAS 1 - Non-current liabilities with covenants.** These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions (effective annual periods beginning on or after January 1, 2024).

**Amendment to IFRS 16 - Leases on sale and leaseback.** These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted (effective annual periods beginning on or after January 1, 2024).

(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

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.

### 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 and any difference between net proceeds and the redemption value is recognised in the parent company 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 capitalised and amortised over the period of the facility to which it relates.

### 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. Management's 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:

| | **2023** | | **2022** | |
|---|---|---|---|---|
| | **$** | **%** | **$** | **%** |
| Fixed rate borrowings - repricing or maturity dates: | | | | |
| Less than 1 year | **11,733,051** | **14.06** | 9,768,585 | 13.32 |
| 1 - 5 years | **45,332,260** | **54.34** | 39,302,993 | 53.60 |
| Over 5 years | **26,361,057** | **31.60** | 24,258,141 | 33.08 |
| | **83,426,368** | **100** | 73,329,719 | 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:

| | **2023** | | **2022** | |
|---|---|---|---|---|
| | **$** | **%** | **$** | **%** |
| Cash and bank balances | **3,191,909** | **4.00** | 1,480,063 | 2.25 |
| Term deposits | **187,654** | **0.24** | 187,654 | 0.28 |
| Accounts and other receivables | **55,985,368** | **70.17** | 54,150,534 | 82.22 |
| Due from shareholder | **11,654,297** | **14.61** | 2,126,550 | 3.23 |
| Due from associated company | **6,300,167** | **3.08** | 5,467,206 | 8.30 |
| Financial investments | **2,453,249** | **7.90** | 2,453,249 | 3.72 |
| | **79,772,644** | **100.00** | 65,865,256 | 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 60 months starting April 1, 2017 and ending on March 31, 2022 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.

(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, 2023**

| Category | Credit rating | Average ECL rate % | Estimated EAD $ | Expected credit loss $ |
|---|---|---|---|---|
| Performing (Stage 1) | Amounts due from associated company in the 1 to 30 days category | – | (928,356) | – |
| Underperforming (Stage 2) | Amounts due from associated company in the 31 to 90 days category | – | – | – |
| Non-performing (Stage 3) | Amounts due from associated company over 90 days | 56.4% | 16,583,599 | 9,355,076 |
| Write-off | Recovery is highly unlikely | – | – | – |
| TOTAL | | 59.7% | 15,655,243 | 9,355,076 |

| Credit Rating | Estimated EAD |
|---|---|
| Financial assets in the 1 to 30 days category | (928,356) |
| Financial assets in the 31 to 90 days category | – |
| Financial assets over 90 days | 16,583,599 |
| Recovery is highly unlikely | – |
| | 15,655,243 |

(expressed in Barbados dollars)

## 4 Financial risk management *...continued*

### b) Credit risk *...continued*

**March 31, 2022**

| Category | Credit rating | Average ECL rate % | Estimated EAD $ | Expected credit loss $ |
|---|---|---|---|---|
| Performing (Stage 1) | Amounts due from associated company in the 1 to 30 days category | 32.1% | 2,049,887 | 658,678 |
| Underperforming (Stage 2) | Amounts due from associated company in the 31 to 90 days category | 35.8% | 425,637 | 152,224 |
| Non-performing (Stage 3) | Amounts due from associated company 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 |

(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, 2023** | | | |
| Bank overdraft | **15,410,662** | **–** | **15,410,662** |
| Accounts payable | **35,345,005** | **–** | **35,345,005** |
| Due to shareholder | **729,954** | **19,064,707** | **19,794,661** |
| Lease liability | **1,365** | **4,394,619** | **4,395,984** |
| Borrowings | **15,324,514** | **84,045,148** | **99,369,662** |
| | **66,811,500** | **107,504,474** | **174,315,974** |
| **Off financial statement exposure** | | | |
| Guarantee and letter of credit | **–** | **30,800,000** | **30,800,000** |
| **Total liabilities** | **66,811,500** | **138,304,474** | **205,115,974** |
| **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 |
| Lease liability | 1,229 | 4,395,984 | 4,397,213 |
| Borrowings | 12,480,998 | 72,948,041 | 85,429,039 |
| | 71,829,116 | 95,239,592 | 167,068,708 |
| **Off financial statement exposure** | | | |
| Guarantee and letter of credit | – | 30,800,000 | 30,800,000 |
| **Total liabilities** | 71,829,116 | 126,039,592 | 197,868,708 |

(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, 2023** | | | |
| Cash and cash equivalents | **3,191,909** | **–** | **3,191,909** |
| Term deposits | **187,654** | **–** | **187,654** |
| Accounts and other receivables | **55,985,368** | **–** | **55,985,368** |
| Due by shareholder | **11,654,297** | **–** | **11,654,297** |
| Due from associated company | **6,300,167** | **–** | **6,300,167** |
| Financial investments | **–** | **2,453,249** | **2,453,249** |
| **Assets held for managing liquidity** | **77,319,395** | **2,453,249** | **79,772,644** |
| **At March 31, 2022** | | | |
| Cash and cash equivalents | 1,480,063 | – | 1,480,063 |
| Term deposits | 187,654 | – | 187,654 |
| Accounts and other receivables | 54,150,534 | – | 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** | 63,412,007 | 2,453,249 | 65,865,256 |

**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.

(expressed in Barbados dollars)

## 5 Cash and cash equivalents

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Cash on hand and at bank | **3,191,909** | 1,480,063 |
| Bank overdraft | **(15,410,662)** | (15,690,887) |
| | **(12,218,753)** | (14,210,824) |

## 6 Term deposits

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Term deposits | **187,654** | 187,654 |

Term deposits have maturities of 6 months or less and bear interest at 0.01% (2022 - 0.01%). A lien over term deposits amounting to US$75,000 (2022 - US$75,000) has been given as security for the Group's $40M loan facility.

(expressed in Barbados dollars)

## 7 Accounts and other receivables

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Trade receivables | **50,311,188** | 53,748,093 |
| Less: Loss allowance | **–** | – |
| | **50,311,188** | 53,748,093 |
| Lease receivables | **2,271,175** | – |
| Less: Loss allowance | **(121,710)** | – |
| | **2,149,465** | – |
| Duty prepaid | **8,179,054** | 11,735,213 |
| VAT receivable | **11,490,334** | 3,335,536 |
| Other receivables | **3,524,715** | 402,441 |
| **Total accounts and other receivables** | **75,654,756** | 69,221,283 |

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

The maximum exposure to credit risk at March 31, 2023 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.

Lease receivables relate to the financing arrangements granted to customers for renewable energy systems. Interest is charged at a rate of 6.5% to 8.5% per annum.

Management reclassified VAT receivable comparative amounts to conform to the current year's presentation.

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(expressed in Barbados dollars)

## 8 Related party transactions

The following transactions were carried out with related parties:

### i) Sales of goods and services

| | 2023 $ | 2022 $ |
|---|---|---|
| Sale of natural gas to shareholder (note 21) | **27,171,414** | 21,136,445 |
| Write-off of amount due to shareholder (note 31) | **–** | (22,210,878) |

### ii) Key management compensation

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

| | 2023 $ | 2022 $ |
|---|---|---|
| Salaries and other short-term benefits | **1,627,771** | 1,508,685 |
| Directors' fees | **172,800** | 172,000 |

### iii) Due from associated company

| | 2023 $ | 2022 $ |
|---|---|---|
| Due from associated company | **15,655,243** | 15,007,892 |
| Loss allowance | **(9,355,076)** | (9,540,686) |
| | **6,300,167** | 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

| | 2023 $ | 2022 $ |
|---|---|---|
| National Petroleum Corporation | **11,654,297** | 2,126,550 |

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Current:** | | |
| Operating charges (i) | **174,356** | 77,964 |
| IDB loan (ii) | **555,598** | – |
| | **729,954** | 77,964 |
| **Non-current:** | | |
| IDB loan (ii) | **19,064,707** | 17,895,567 |

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

ii) 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 Corporation to execute the project. Subsequently, the Corporation and Barbados National Oil Company Limited (BNOCL) entered into an institutional cooperation framework agreement which identified components of the project in favour of BNOCL and the commitments of each party. The Corporation 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 are expected to commence in November 2023.

(expressed in Barbados dollars)

## 9 Inventories

| | 2023 $ | 2022 $ |
|---|---|---|
| Refined products | **20,062,206** | 27,300,582 |
| Crude oil | **2,233,134** | 6,897,388 |
| Materials | **19,086,163** | 18,870,600 |
| Sand | **207,700** | – |
| Biodiesel | **17,982** | – |
| Renewable energy supplies | **5,765,990** | 7,204,033 |
| Goods in transit | **639,853** | 1,071,526 |
| | **48,013,028** | 61,344,129 |
| Less: provision for obsolescence on materials | **(16,612,035)** | (16,614,293) |
| | **31,400,993** | 44,729,836 |

## 10 Accounts payable and accrued liabilities

| | 2023 $ | 2022 $ |
|---|---|---|
| Accounts payable | **35,345,004** | 43,578,038 |
| VAT payable | **3,007** | 2,394,544 |
| Accrued expenses | **5,243,292** | 4,327,118 |
| Fuel rebate payable | **–** | 7,771 |
| Payroll deductions | **153,310** | – |
| Other payables | **–** | 141,059 |
| Unearned revenue | **1,323,895** | 358,393 |
| Duty payable | **6,658,258** | 8,419,026 |
| | **48,726,766** | 59,225,949 |

(expressed in Barbados dollars)

## 11 Borrowings

| | 2023 $ | 2022 $ |
|---|---|---|
| **Non-current** | | |
| i) Fixed rate bond | **6,250,000** | 8,750,000 |
| ii) Bank borrowings - $30M | **18,889,954** | 22,492,594 |
| iii) Bank borrowings - $40M | **28,680,335** | 32,318,540 |
| iv) Bank borrowings - $20M | **17,873,028** | – |
| | **71,693,317** | 63,561,134 |
| **Current** | | |
| Borrowings | **11,733,051** | 9,768,585 |
| **Total borrowings** | **83,426,368** | 73,329,719 |

### 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.

(expressed in Barbados dollars)

## 11 Borrowings *...continued*

### 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%.

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 US$100M expiring April 1, 2023.
- 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.

### iii) Bank borrowings - $40M loan

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 the liquidation of the overdraft of $30M and to provide 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.

### iv) Bank borrowings - $20M loan

During the year, a 10 year commercial loan was entered into between the Company and Republic Bank (Barbados) Limited, for a total of $20,000,000. This was executed to assist the Company with the repayment of taxes owed to the Government of Barbados. Repayment is made in monthly blended principal and interest payments of $212,132 at a rate of 5% per annum.

(expressed in Barbados dollars)

## 11 Borrowings *...continued*

The loans are 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. Sum Insured USD $100,000,000. Expiring April 1, 2023.

iii) Lien over term deposit in the name of the Company for the equivalent of US$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, 2023 was $71,256,924 (2022 - $61,516,704). The fair values are based on cash flows discounted using a rate based on the latest bond rates which range from 2.50% to 14.63% (2022 - 2.14% to 15.98%).

## 12 Financial investments

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **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 $1,774,236 (2022 - $1,666,262).

(expressed in Barbados dollars)

## 13 Investment in associated companies

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Net assets - beginning of year | **1,628,237** | 1,226,452 |
| Share of net (loss)/income of associated company for the year | **(936,905)** | 401,785 |
| | **691,332** | 1,628,237 |
| Purchase of investment in associated company | **250** | – |
| Net assets - end of year | **691,582** | 1,628,237 |

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

In 2023, the entity invested $250 in Seed21 Energy Limited.

# Barbados National Oil Company Limited
Notes to Consolidated Financial Statements
**March 31, 2023**

(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, 2021** | | | | | | | | | | |
| Cost | 21,750,091 | 9,113,756 | 4,258,537 | 38,908,042 | 14,258,976 | 1,102,082 | 163,706,358 | 196,521,934 | 12,935,289 | 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 | 46,208,758 | 12,935,289 | 148,898,951 |
| **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 | 46,208,758 | 12,935,289 | 148,898,951 |
| Additions | 53,573 | 108,087 | – | – | – | – | 832,908 | – | 1,217,325 | 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 | 46,521,182 | 19,729,647 | 149,793,230 |

(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 $ |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 | 197,646,989 | 19,729,647 | 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 | 46,521,182 | 19,729,647 | 149,793,230 |
| **Year ended March 31, 2023** | | | | | | | | | | |
| Opening net book amount | 11,566,372 | 573,616 | 435,351 | 2,499,355 | 2,164,583 | 11,055 | 66,292,069 | 46,521,182 | 19,729,647 | 149,793,230 |
| Additions | – | 179,570 | – | – | – | 294,418 | 2,180,733 | 321,696 | 1,417,159 | 4,393,576 |
| Additions from NPC Project Execution Unit | – | – | 699,535 | – | – | – | 900,679 | – | – | 1,600,214 |
| Transfers | – | – | – | – | – | – | 4,037,883 | – | (4,037,883) | – |
| Transfers in from deposit on property, plant and equipment | – | – | – | – | – | – | – | – | 384,008 | 384,008 |
| Increase in provision for abandonment | – | – | – | – | – | – | – | 342,006 | – | 342,006 |
| Disposals - cost | – | – | (229,488) | – | – | – | – | – | – | (229,488) |
| Disposals - accumulated depreciation | – | – | 229,488 | – | – | – | – | – | – | 229,488 |
| Depreciation and depletion charges | (770,031) | (282,644) | (234,089) | (483,089) | (246,791) | (10,936) | (5,503,186) | (1,118,211) | – | (8,648,977) |
| **Closing net book amount** | **10,796,341** | **470,542** | **900,797** | **2,016,266** | **1,917,792** | **294,537** | **67,908,178** | **46,066,673** | **17,492,931** | **147,864,057** |

# Barbados National Oil Company Limited
Notes to Consolidated Financial Statements
**March 31, 2023**

(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 $ |
|---|---|---|---|---|---|---|---|---|---|---|
| **At March 31, 2023** | | | | | | | | | | |
| Cost | 22,289,444 | 9,419,708 | 4,354,851 | 38,908,042 | 14,258,976 | 1,396,500 | 171,658,561 | 198,310,691 | 17,492,931 | 478,089,704 |
| Accumulated depreciation | (11,493,103) | (8,949,166) | (3,454,054) | (36,891,776) | (12,341,184) | (1,101,963) | (103,750,383) | (152,244,018) | – | (330,225,647) |
| **Net book amount** | **10,796,341** | **470,542** | **900,797** | **2,016,266** | **1,917,792** | **294,537** | **67,908,178** | **46,066,673** | **17,492,931** | **147,864,057** |

(expressed in Barbados dollars)

## 15 Deposit on plant and equipment

At March 31, 2023, the Group had made deposits totalling $308,169 (2022 - $661,185) on plant and equipment. A further $119,440 (2022 - $216,191) is due in relation to the plant and equipment.

## 16 Provision for abandonment

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Balance at beginning of year | **10,068,947** | 8,943,892 |
| Increase in provision for abandonment (note 14) | **342,006** | 1,125,055 |
| **Balance at end of year** | **10,410,953** | 10,068,947 |

The Group has established a provision of $10,410,953 (2022 - $10,068,947) towards remediation costs which are estimated to be $43,928 (2022 - $42,485) 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 12 year period at a discount rate of 7.57% (2022 - $105,000 per well over a 13 year period at a discount rate of 7.21%).

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% | 9,316,813 | 11,645,658 |
| Cost | 10% | 11,452,048 | 9,369,858 |
| Period | 1 year | 9,678,126 | 11,199,270 |

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.

(expressed in Barbados dollars)

## 17 Leases

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

| | 2023 $ | 2022 $ |
|---|---|---|
| **Right-of-use asset** | | |
| Land | **3,289,447** | 3,348,186 |
| **Lease liabilities** | | |
| Current | **(1,365)** | (1,229) |
| Non-current | **(4,394,619)** | (4,395,984) |
| Total | **(4,395,984)** | (4,397,213) |

Additions to right-of-use asset during the 2023 financial year were $Nil (2022 - $Nil).

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

| | 2023 $ | 2022 $ |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Land | **(58,739)** | (58,740) |
| **Interest expense (included in finance costs)** | **(486,771)** | (481,313) |

The total cash outflow for leases in 2023 was $488,000 (2022 - $432,000).

## 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:

| | 2023 $ | 2022 $ |
|---|---|---|
| Fair value of plan assets | **26,636,964** | 25,408,508 |
| Present value of funded obligations | **(26,790,589)** | (24,869,622) |
| Effect of IFRIC 14 | **(2,705,181)** | (3,609,069) |
| Effect of asset ceiling | **–** | (575,834) |
| Net liability in the consolidated statement of financial position | **(2,858,806)** | (3,646,017) |

(expressed in Barbados dollars)

## 18 Employee benefits *...continued*

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Fair value of plan assets at beginning of year | **25,408,508** | 23,288,570 |
| Actual return on plan assets | **(39,849)** | 1,234,159 |
| Contributions - employer | **1,912,593** | 1,441,099 |
| Contributions - employee | **393,619** | 445,621 |
| Benefits paid | **(1,037,907)** | (1,000,941) |
| Fair value of plan assets at end of year | **26,636,964** | 25,408,508 |

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Present value of funded obligations at beginning of year | **24,869,622** | 22,914,398 |
| Interest cost | **2,090,086** | 1,812,766 |
| Current service cost (including voluntary contributions) | **1,148,420** | 1,196,280 |
| Benefits paid | **(1,037,907)** | (1,000,941) |
| Actuarial gain on obligation | **(279,632)** | (52,881) |
| Present value of funded obligations at end of year | **26,790,589** | 24,869,622 |

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Net liability at beginning of year | **(3,646,017)** | (2,639,953) |
| Net expense recognised in the consolidated statement of comprehensive income | **(994,116)** | (957,831) |
| Contributions paid | **1,912,593** | 1,441,099 |
| Remeasurements included in the consolidated statement of other comprehensive income | **(131,266)** | (1,489,332) |
| Net liability at end of year | **(2,858,806)** | (3,646,017) |

(expressed in Barbados dollars)

## 18 Employee benefits *...continued*

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

| | 2023 $ | 2022 $ |
|---|---|---|
| Current service cost | **754,801** | 750,659 |
| Interest on obligation | **2,090,086** | 1,812,766 |
| Expected return on plan assets | **(2,148,519)** | (1,839,189) |
| Interest on effect of IFRIC 14 | **297,748** | 235,595 |
| Total included in employee expenses | **994,116** | 959,831 |

The amounts recognised in other comprehensive income are as follows:

| | 2023 $ | 2022 $ |
|---|---|---|
| Actuarial gain on obligation | **279,632** | (683,577) |
| Actual return on plan assets | **(39,849)** | 1,234,159 |
| Expected return on plan assets | **(2,148,519)** | (1,839,189) |
| Gain from change in assumptions | **–** | 736,458 |
| Effect of asset ceiling | **575,834** | (575,834) |
| Effect of IFRIC 14 | **1,201,636** | (361,349) |
| Total included in other comprehensive income | **(131,266)** | (1,489,332) |

| | 2023 $ | 2022 $ |
|---|---|---|
| Actual return on plan assets | **(39,849)** | 1,234,159 |

Plan assets are comprised as follows:

| | 2023 | 2022 |
|---|---|---|
| Mortgages | **22%** | 19% |
| Bonds | **51%** | 52% |
| Equities | **20%** | 20% |
| Real estate | **2%** | 2% |
| Current assets and liabilities | **5%** | 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:

| | 2023 | 2022 |
|---|---|---|
| Discount rate at end of year | **8.25%** | 8.25% |
| Expected return on plan assets at end of year | **8.25%** | 8.25% |
| Future promotional salary increases | **2.50%** | 2.50% |
| Future pension increases | **1.25%** | 1.25% |
| 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.

(expressed in Barbados dollars)

## 18 Employee benefits *...continued*

***Changes in bond yields***

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

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

| | | Impact on defined benefit obligation | | |
|---|---|---|---|---|
| | **Defined benefit obligation** | **Change in assumption** | **Increase in assumption** | **Decrease in assumption** |
| Base IAS 19 results | 26,790,589 | | | |
| Discount rate | | 1% | 23,658,621 | 30,696,339 |
| Salary growth rate | | 0.5% | 27,779,065 | 25,864,740 |
| Life expectancy | | 1 year | 27,873,942 | – |

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

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

## 19 Taxation

Under the Petroleum Winning Operations Taxation Act, Cap. 82, the Company 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 Company, whichever is earlier. The Company did not meet these criteria during the year.

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

| | **2023 $** | **2022 $** |
|---|---|---|
| Current tax charge | **145,585** | 76,804 |
| Deferred tax charge | **126,209** | 373,699 |
| | **271,794** | 450,503 |

(expressed in Barbados dollars)

## 19 Taxation *...continued*

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Income before taxation | **1,473,928** | 4,243,485 |
| Tax calculated at statutory rate of 5.5% (2022 - 5.5%) | **81,065** | 233,392 |
| Effect of sliding scale of tax rates | **(73,969)** | (107,329) |
| Tax effects of the following: | | |
| Expenses not deductible for tax purposes | **709,042** | 396,816 |
| Movement in deferred tax asset not recognised | **(190,944)** | 47,986 |
| Prior year over provision - current and deferred tax | **(167,951)** | (22,180) |
| Income not subject to tax | **–** | (78,011) |
| Investment allowance | **(85,449)** | (20,171) |
| Taxation charge | **271,794** | 450,503 |

**Deferred taxes**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Deferred tax liability - beginning of year | **570,334** | 237,911 |
| Deferred tax charge | **126,209** | 373,699 |
| Deferred tax charge/(credit) relating to components of other comprehensive income | **19,272** | (41,276) |
| Deferred tax liability - end of year | **715,815** | 570,334 |

(expressed in Barbados dollars)

## 19 Taxation *...continued*

The deferred tax liability recognised is comprised as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Accelerated tax depreciation | **(30,075,983)** | (31,897,408) |
| Unutilised tax losses (note 24) | **16,376,528** | 20,374,152 |
| Employee benefits (asset)/liability (note 18) | **(421,895)** | 104,525 |
| Right-of-use asset (note 17) | **(3,289,447)** | (3,348,186) |
| Lease liability (note 17) | **4,395,984** | 4,397,213 |
| | **(13,014,813)** | (10,369,704) |
| Deferred tax liability at 5.5% (2022 - 5.5%) | **(715,815)** | (570,334) |

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:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Delayed tax depreciation | **5,105,338** | 3,860,326 |
| Unutilised tax losses (note 24) | **27,321,657** | 31,295,907 |
| Inventory provision | **342,306** | 342,306 |
| Employee benefits liability (note 18) | **3,280,701** | 3,541,492 |
| | **36,050,002** | 39,040,031 |
| Deferred tax asset at 5.5% (2022 - 5.5%) | **1,982,750** | 2,147,202 |

(expressed in Barbados dollars)

## 20 Share capital

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

| | 2023 $ | 2022 $ |
|---|---|---|
| 82,030 common shares | **41,014,809** | 41,014,809 |

The shares are allotted as follows:

| | 2023 Number | 2022 Number |
|---|---|---|
| Government of Barbados - common shares | **61,913** | 61,913 |
| National Petroleum Corporation - common shares | **20,117** | 20,117 |
| | **82,030** | 82,030 |

## 21 Revenue

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

| | 2023 $ | 2022 $ |
|---|---|---|
| Crude oil | **42,299,021** | 39,527,430 |
| Natural gas (note 8) | **27,171,414** | 21,136,445 |
| | **69,470,435** | 60,663,875 |

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

| | 2023 $ | 2022 $ |
|---|---|---|
| Fuel oil | **208,114,081** | 169,188,219 |
| Asphalt feed | **24,033,411** | 20,680,469 |
| Diesel and gasoline | **363,435,294** | 241,316,779 |
| | **595,582,786** | 431,185,467 |

Renewable energy revenue is comprised of the following:

| | 2023 $ | 2022 $ |
|---|---|---|
| Photovoltaic revenue | **4,346,103** | 1,059,521 |

(expressed in Barbados dollars)

## 22 Other income

| | 2023 $ | 2022 $ |
|---|---|---|
| Interest income | **36,937** | 40,004 |
| Other income | **40,550** | 93,979 |
| Finance income | **279,565** | – |
| Gain on disposal of property, plant and equipment | **32,573** | 37,234 |
| | **389,625** | 171,217 |

## 23 Other losses

| | 2023 $ | 2022 $ |
|---|---|---|
| Loss on disposal of property, plant and equipment | **–** | 26,828 |
| Miscellaneous expenses - other | **15,501** | 220,926 |
| | **15,501** | 247,754 |

(expressed in Barbados dollars)

## 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 | 85,664 | – | – | (33,150) | 52,514 | 2025 |
| 2019 | 2,646,436 | (5,732) | – | (2,640,704) | – | |
| 2020 | 8,011,378 | – | – | (1,318,038) | 6,693,340 | 2027 |
| 2021 | 9,630,674 | – | – | – | 9,630,674 | 2028 |
| | 20,374,152 | (5,732) | – | (3,991,892) | 16,376,528 | |

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

| Year | Losses b/fwd. $ | Adjustment $ | Incurred $ | Expired $ | Losses c/fwd. $ | Expiry date |
|---|---|---|---|---|---|---|
| 2016 | 9,592,472 | 30,000 | – | (9,622,472) | – | |
| 2017 | 4,989,744 | – | – | | 4,989,744 | 2024 |
| 2018 | 713,498 | – | – | | 713,498 | 2025 |
| 2020 | 269,236 | – | – | | 269,236 | 2027 |
| 2021 | 13,356,495 | – | – | | 13,356,495 | 2028 |
| 2022 | 2,374,462 | 2,386,676 | – | | 4,761,138 | 2029 |
| 2023 | – | – | 3,231,546 | – | 3,231,546 | 2030 |
| | 31,295,907 | 2,416,676 | 3,231,546 | (9,622,472) | 27,321,657 | |

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.

(expressed in Barbados dollars)

## 25 Expenses by nature

| | 2023 $ | 2022 $ |
|---|---|---|
| Petroleum products | **621,403,201** | 446,709,307 |
| Staff costs (note 26) | **15,169,541** | 16,523,080 |
| Consulting and professional fees | **552,421** | 1,918,583 |
| Repairs and maintenance | **1,071,950** | 835,854 |
| Renewable energy | **3,096,233** | 2,612,548 |
| Insurance | **2,197,672** | 2,100,104 |
| Utilities | **704,395** | 626,444 |
| Write back of loss allowance for amounts due from associated company | **(185,610)** | (2,386,676) |
| IDB project expenses | **1,014,635** | 835,914 |
| Other | **5,738,356** | 5,191,192 |
| Total cost of goods sold, terminal operating costs and general and administrative expenses | **650,762,794** | 474,966,350 |

## 26 Staff costs

Staff costs funded by the Group were as follows:

| | 2023 $ | 2022 $ |
|---|---|---|
| Wages, salaries and bonus | **11,699,021** | 13,123,989 |
| Allowances | **544,532** | 574,061 |
| National Insurance | **975,241** | 933,091 |
| Pension expense (note 18) | **994,116** | 959,831 |
| Medical and other costs | **956,631** | 932,108 |
| | **15,169,541** | 16,523,080 |
| Number of persons employed by the Group at year end | **148** | 138 |

## 27 Non-cash investing and financing cash flows

| | 2023 $ | 2022 $ |
|---|---|---|
| IDB project | **393,120** | 472,462 |
| Additions to property, plant and equipment | **5,281,395** | 5,595,749 |
| Amounts due to shareholder | **1,892,511** | 6,068,212 |

(expressed in Barbados dollars)

## 28 Holborn facilities costs

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

## 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, 2023 amount to $30,800,000 (2022 - $30,800,000).

## 31 Write off of intra-governmental debt

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

## 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.


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