



NPC



NATIONAL PETROLEUM CORPORATION

2022

Annual Report

The Energy People







NATIONAL PETROLEUM CORPORATION Annual Report 2022

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August 18, 2022

Minister of Energy and Business
1st Floor, Warrens Office Complex
Warrens
St. Michael

Dear Sir,

Letter of Transmittal

Pursuant to Sections 16 and 19 of the National Petroleum Corporation Act Cap 280, we have the honour to submit the fortieth Annual Report and Audited Financial Statements of the Corporation for the financial year ended March 31, 2022.

We note that the National Petroleum Corporation has forwarded to you, the Audited Accounts and Financial Statements of the Corporation in accordance with section 16 (5) of the Act.

Yours faithfully

NATIONAL PETROLEUM CORPORATION

Dr. Asquith Thompson

Chairman

Mission Statement

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

Core Values

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

Service:

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

Honesty:

To conduct our business with honesty and integrity.

Concern:

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

Excellence:

To strive for excellence in all that we do.

Team Work:

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

BOARD OF DIRECTORS

AS AT MARCH 31, 2022

NATIONAL PETROLEUM CORPORATION



Dr. Asquith Thompson
Chairman



Aidan Rogers
Deputy Chairman



Sydney Robertson
Director



Lachmi Connell
Director



Kirk King
Director



Lesley Trotman-Edwards
*Director
Representative,
Barbados Workers Union*



Karen Forde
Director

Board of Directors



Maurice Arthur
Director



Ezra Prescod
Director



Bryan Haynes
Director –
Representative, Ministry
of Energy, Small Business
and Entrepreneurship



Averill Brathwaite
Director
Representative, Ministry
of Finance, Economic Affairs
and Investment



William McDonald
Director
(Chairman of the BNOCL Board –
until June 30 2021)



Victor Fernandes
Director
(Chairman of the BNOCL Board –
from July 01 2021)



Laura Rudder
Secretary to the
Board of Directors

Legal Counsel

Elliott D. Mottley and Company

Auditor

PricewaterhouseCoopers SRL

Bankers

Republic Bank (Barbados) Ltd.

FirstCaribbean International
(Barbados) Limited

Scotiabank Barbados

Committees of the Board of Directors

Finance Committee

Dr. Asquith Thompson

Chairman

Mr. Aidan Rogers

Mr. Kirk King

Mr. Ezra Prescod

Miss Karen Forde

Miss Averill Brathwaite

Mr. Maurice Arthur

Establishments Committee

Dr. Asquith Thompson

Chairman

Mrs. Lesley Trotman-Edwards

Mr. Maurice Arthur

Mr. William McDonald

Miss Karen Forde

Miss Lachmi Connell

Technical Committee

Mr. Aidan Rogers

Chairman

Mr. Kirk King

Mr. Ezra Prescod

Mr. Sydney Robertson



Principal Officers

Mr. James St. Elmo Wallace Browne

(seconded)

General Manager (Ag)

until June 30, 2021

Ms. Mechelle Maria Smith

General Manager (Ag)

from July 01, 2021

Mr. Ian David Russell Bradshaw

Manager - Finance (Ag)

Ms. Francine Anita Forde

Manager - Human Resources &

Administration (Ag)

Mr. Roger Emmanuel Arthur Martindale

Manager - Technical Operations

Mrs. Andrea Monique Burnett-Edward

Technical Officer

Mr. Wosley John Wayne Holder

Technical Officer/

Service Installations Coordinator

(retired February 28, 2022)

Senior Officers

Technical Operations

Jamal Squires, Petroleum Engineer

Kyle Haynes, Petroleum Engineer

Dave Downes, Superintendent (Ag)

Reginald Cato, Foreman (Ag)

Chris Patrick, Foreman (Ag)

Human Resources & Administration

Francia Springer, Human Resources Officer (Ag)

Khadijah Briggs, Human Resources Officer (Ag)

Finance & Accounting

Kimone Phillips, Accountant *(resigned January 23, 2022)*

Sophia Williams, Asst. Accountant Costs & Budgets (Ag)

Rico Wiltshire, Customer Service Officer (Ag)

Fidel Holder, Meter Reading Supervisor

Euclid Forde, Storekeeper

Executive Office

Noel King, Information Technology Officer (Ag)

Our Business

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

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

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

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

Business Summary

At least two major events occurred during the fiscal year that had significant impact on the NPC and its business.

- 1) During the year, the Corporation experienced an increase in the global cost of Liquefied Natural Gas (LNG), which was heavily influenced by the onset of the war between Russia and the Ukraine. With reducing volumes of local gas from the Barbados National Oil Company Limited, the NPC had a greater reliance on LNG and consequently the weighted average cost of gas



continued to show impact on the NPC's bottom line. With the cost price of gas again exceeding the sales price, the NPC continued to realize significant financial losses during the financial year. As at February 2022, the NPC owed its supplier, the Barbados National Oil Company an amount exceeding BD\$22 million.

- 2) With this financial position expected to worsen, the NPC submitted for consideration to the Government of Barbados (GOB), a paper for a revised sales tariff. This proposal was reviewed and the GOB agreed to an increase in the sales price of natural gas for the NPC, in addition to an increase in the meter rental rates. While the meter rental rates increased across both residential and commercial sectors, the sales price of natural gas increased only to the commercial sector.

- 3) Subsequent to the position of the high level of indebtedness to the BNOCL as at February 2022, the GOB, having reviewed the NPC's financial position, agreed to a write off of the full debt to the BNOCL. Details on this write off are presented in the Financial summary outlined in the report.

Technical Operations Overview

Within the fiscal year of 2022 most of the technical activities of the National Petroleum Corporation's (NPC) executed projects involved capital maintenance. Only one (1) project for the said fiscal year, in particular, involved capital expansion and that was within the jurisdiction of Fitts Village, St. James. This activity demonstrated clearly that infrastructure upgrade and maintenance was NPC's core focus, due to recognition of its aging natural gas distribution infrastructure.

Despite the environmental circumstances and challenges of the COVID-19 pandemic, the NPC nevertheless embarked upon the execution of capital maintenance projects aimed at reducing natural gas loss, as a consequence of pipeline infrastructure leaks. The notable projects that were executed are as follows:

Table 1: Capital Maintenance Projects

No.	Project Name	Project Description	Contractual Distance	Commencement Date	Capital Cost (\$)
1	Risk Road, Fitts Village, St. James Project	Capital expansion via new pipeline installation	8,468 feet (with a population of approximately 113 service connections)	April 19, 2021	337,372.00
2	Highway 7 Cast Iron Pipeline Sectional Replacement Project	Capital maintenance via cast iron pipeline replacement	478 feet (with a changeover of 16 service connections)	June 01, 2021	90,050.44
3	Reef Road, Bridgetown, St. Michael Project	Capital Maintenance via cast iron pipeline replacement	680 feet (with a changeover of 3 service connections)	September 06, 2021	51,800.00
4	Welches Terrace, St. Michael Project	Capital maintenance via carbon steel pipeline replacement	1,223 feet (with 38 service changeovers)	September 28, 2021	145,968.68

In light of the aforementioned projects, the NPC enhanced its network integrity through mainly capital maintenance programmes which resulted in the following activities being realized:

- a) Some 4.73 Kilometres (or 2.94 miles) in aggregate of new distribution pipelines was installed in the parishes of St. James, St. Michael and Christ Church;
- b) Additionally, as part of our infrastructure maintenance programme, some 0.84 Kilometres (or 0.54 miles) of distribution pipeline was replaced in the parishes of St. Michael and Christ Church.

These aforementioned capital maintenance activities i.e. a) and b) are summarized in the following table.

Table 2: Summary of Mains Laid – April 01, 2021 to March 31, 2022

New Mains

	Size of Main/Distance in Feet		
	1 1/4" H.P.P.E	2" H.P.P.E	4" H.P.P.E
St. James	3764.33	5936.83	5828

Relocation or Replacement

	Size of Main/Distance in Feet			
	1 1/4" H.P.P.E	2" H.P.P.E	3" H.P.P.E	6" H.P.P.E
St. Michael	764.58	7	719	-
Christ Church	666.42	-	-	613

Summary of Mains Laid

	Miles	Kilometres	Linear Feet
New Mains	2.94	4.73	15529.16
Relocation/ Replacement	0.52	0.84	2770
Total Mains Laid	3.46	5.57	18299.16



It is reiterated, that the National Petroleum Corporation (NPC) generally has an aged natural gas infrastructure, as it relates to the natural gas distribution pipeline system. This system is principally in the Bridgetown, St. Michael areas and its environs, along Highway 7 up to Dover, Christ Church in the east, and as far as Spring Garden, St. Michael in the south-west. Additionally, and to a substantially lesser extent, the NPC's aged distribution infrastructure is also in existence off road within the Warrens, St. Michael, "Big Tree" area, in proximity to the Baobab Towers.

As a result of this reality, and with limited financial wherewithal, the NPC has had to confront these infrastructure challenges by way of the execution of selective maintenance through the replacing of many of its leaking natural gas distribution pipelines as identified in Table 1. Additionally, by way of replacing many of the domestic and commercial meters that are in service due to mal-measurement, volumetric determination was improved to ensure greater accuracy of natural gas consumption measurement.

By the execution of these stated infrastructure maintenance initiatives, the NPC would have realized a substantial improvement in its average unaccounted for natural gas percentage over the prior fiscal year April 2020 to March 2021. That is, during the current fiscal year April 2021 to March 2022, the Corporation achieved an average annual unaccounted for natural gas percentage of 17.07% as opposed to an average of 25.12% during the prior fiscal year.

The reduction in the average unaccounted for natural gas has been realized by virtue of the execution of substantial infrastructure maintenance projects as described. This positive result has allowed the NPC to improve its available average natural gas for sale as a percentage of purchases from 67.60% in the prior fiscal year to 82.38% in this current fiscal year.

The tabulated data below illustrates the fundamental results that the Corporation encountered during the fiscal year due to infrastructure weathering.

Table 3: Gas Loss Efficiency Data

No.	Months/Years	Gas Loss As A percentage (%)	Percentage Gas Available For Sale (%)
1	April 2021	24.81	75.19
2	May 2021	11.68	88.32
3	June 2021	9.42	90.58
4	July 2021	17.78	82.22
5	August 2021	15.93	84.07
6	September 2021	15.60	84.40
7	October 2021	23.88	76.12
8	November 2021	15.51	84.49
9	December 2021	15.40	84.60
10	January 2022	17.23	82.77
11	February 2022	20.00	80.00
12	March 2022	17.62	82.38

The NPC Board of Directors have ratified that a gas loss of five percent (5%) of the gas purchased will be optimally acceptable, with a ninety-five percent (95%) volumetric availability. These figures are indeed well below the policy position taken by the NPC Board of Directors albeit improved over the prior fiscal year.

However, with the Corporation's availability of Inter-American Development Bank (IDB) loan funding, financial resources are aligned to infrastructure remedial initiatives and projects to enhance the integrity of the Corporation's infrastructure and stem the instances of gas loss by virtue of having aged infrastructure. In

these circumstances, where the IDB funded projects are to come on stream in the next fiscal year, changes in infrastructure condition will be realized and thus there will be an improvement in the unaccounted for natural gas loss percentages, as we go forward into the next fiscal year ending March 2023.

Financial Performance Overview

For the financial year ended March 31, 2022, the National Petroleum Corporation (NPC) recorded an operational loss of \$15,502,908. This loss reflected negatively against the comparative loss of \$10,410,277 in the prior year. When the share of the profit of the associated company of \$930,189 was deducted from the operational loss, the net loss for the year was reduced to \$14,572,719. It should be noted that there was a comparative loss of \$15,746,789 in the prior year. Additionally, the other comprehensive loss for the year was determined to be \$325,311, which was partially due to the share of the other comprehensive loss of the associated company. This resulted in a total comprehensive loss of \$14,898,030.

Table 4 below illustrates the comparative highlights of the statements of comprehensive income for the last two years.

TABLE 4: Highlights of the Statements of Comprehensive Income 2021-2022

All figures are expressed in thousands.

	2021-22	2020-21	Variance
Gas sales	19,574	15,280	28%
Operating expenses	35,489	25,992	37%
Other income	596	529	13%
Operating loss	(15,319)	(10,183)	-50%
Interest & other loan expenses	184	227	-19%
Net loss before share of profit/(loss) of associated company	(15,503)	(10,410)	-49%

Gas Sales

Total gas sales for the year under review amounted to \$19,574,097 as compared to \$15,279,992 for the prior year. Table 5 segments the gas sales revenue.

TABLE 5: Gas Sales Revenue 2020-2022

All figures are expressed in thousands.

	2021-22	2020-21	Variance
Residential	5,591	5,683	-2%
Commercial	13,529	9,117	48%
Special Rate	455	480	-5%
Total	19,575	15,280	28%

A re-emerging tourism sector helped to propel the growth of commercial sales. This was particularly evident over the second half of the financial year which realized 35% more consumption than the prior period.

In March 2022, there were 21,256 accounts billed, while comparatively there were 21,339 accounts billed in March 2021. Below is the current year's breakdown:

Domestics	20,476
Commercials	779
Special Industrial	1
Total	21,256

Operating Expenses

Total operating expenses increased by 37% in the current year as compared to the prior year. Table 6 segments these expenses.

TABLE 6: Expenses 2020-2022

All figures are expressed in thousands.

	2021-22	2020-21	Variance
Production, transmission & distribution	23,806	13,641	75%
General, administrative & commercial	8,544	9,092	-6%
Depreciation	3,140	3,259	-4%
Total	35,489	25,992	37%

Due to increased business activity, there was greater downstream demand for gas. As a consequence, the expenditure associated with gas purchases increased by 15% when compared to the prior year. Volumes of gas purchased increased by 22% and significantly the average price of gas increased from 88 cents per cubic meter to \$1.34 per cubic meter.

During the financial year, the Corporation noted that, in addition to the continued trend of greater volumes of LNG being utilized, there was also a significant increase in the cost of LNG over the course of the financial year as shown in Table 7.

TABLE 7: Expenses 2020-2022

All figures are expressed in thousands.

	Price per cubic meter		Percentage of total purchases	
	2021-22	2020-21	2021-22	2020-21
LNG	\$1.98	\$1.53	65%	48%
Local wells	\$0.27	\$0.29	35%	52%

Balance Sheet Highlights

At March 31, 2022, total assets of the Corporation were valued at \$86,943,650.

It should be noted that during the financial year, the Ministry of Finance instructed that \$22,210,878 owed to BNOCL by the Corporation should be written off.

TABLE 8: Balance Sheet Highlights 2020-2021

All figures are expressed in thousands.

	2021-22	2020-21	Variance	Explanation
Assets				
Cash and cash equivalents	1,685	1,731	-3%	
Accounts receivable	3,983	2,478	61%	Increased billings to customers
Inventory	2,544	1,152	121%	Purchase of inventory for Highway 7 project
Due from related company	24,113	19,732	22%	Amounts due from BNOC and Project Unit associated with IDB USD\$34M loan
Prepaid expenses	284	189	50%	
Property, plant and equipment	30,449	31,598	-4%	
Investment in associated company	23,886	28,758	-17%	Share of write-off of NPC debt to associated company

TABLE 8: Balance Sheet Highlights 2020-2021

All figures are expressed in thousands.

	2021-22	2020-21	Variance	Explanation
Liabilities and equity				
Accounts payable & accrued liabilities	4,472	4,562	-2%	
Due to related company	2,415	7,864	-69%	
Borrowings	31,705	25,581	24%	Increased loan proceeds from IDB loan
Progress payments received	67	59	14%	
Deferred lease premium	270	300	-10%	
Deferred credit	1,268	1,314	-3%	
Pension plan liability	2,331	3,301	-29%	
Capital grants	2,526	2,635	-4%	
Retained earnings	31,483	29,617	6%	

Statement of Cash Flow Highlights

At the end of the year ended March 31, 2022, the Corporation had decreased its cash and cash equivalents by \$46,132.

TABLE 9: Cash Flow Highlights 2020-2021

All figures are expressed in thousands.

	2021-22	2020-21	Variance	Explanation
Cash from/(used in) operating activities	1,493	(2,024)	174%	Increase in receipts from gas sales
Cash used in investing activities	(1,539)	(974)	-58%	Investment in iso-containers and mains installation
Decrease in cash and cash equivalents	(46)	(2,998)	98%	
Cash and cash equivalents -beginning of year	1,731	4,729	-63%	
Cash and cash equivalents - end of year	1,685	1,731	-3%	

Project Execution Unit Overview

The Loan Contract No. 3843/OC-BA between the Government of Barbados (GOB) and the Inter-American Development Bank (IDB) regarding the Deployment of Cleaner Fuels and Renewable Energies in Barbados Project was signed on June 14, 2017 for **US\$34 million**, with the National Petroleum Corporation (NPC) as the executing agency. It is noted that this project is being executed in collaboration with our sister companies BNOCL and BNTCL.

Objective

The objective of the Project is to enhance Barbados' energy security and sustainability by diversifying its energy matrix through promoting the use of cleaner fuels for power generation and increasing the use of Renewable Energy (RE) sources. Specific objectives include to:

- i) upgrade existing Natural Gas (NG) infrastructure to ensure NG service continuity;
- ii) increase Energy Efficiency (EE) and RE applications within the NPC's and BNOCL's operations to reduce Greenhouse Gas (GHG) emissions;
- iii) enable implementation of a Public Private Partnership project to import and supply liquefied natural gas (LNG) for power generation; and
- iv) provide technical support to NPC/BNOCL to foster organizational and operational efficiency.

Project Description

The Project, which has a final disbursement date of June 14, 2023, comprises of five (5) components.

- Component 1: Natural Gas Infrastructure;
- Component II: Smart Energy Solutions; and
- Component III: Technical Advisory Services
- Component IV: Project Evaluation
- Component V: Project Management and Monitoring

The project has a number of diverse activities ranging from the reorganizing and modernizing of the NPC/BNOCL (completion of operational audits, the installation/upgrade of Information and Communications Technology (ICT) systems, the acquisition of ultrasonic meters (commercial) and installation of renewable energy sources and energy efficient equipment) to rehabilitating the natural gas production and distribution network (changing of the NG compressors at the BNOCL's gas plant to electric compressors and the replacement of approx. 12.5 km of distribution mains).

Financing Plan

This loan is one hundred percent (100%) funded by the Inter-American Development Bank. Therefore, there is no local counterpart funding. The project became eligible for disbursements on January 10, 2018.

The Government of Barbados' (GOB's) mandate to become a hundred percent (100%) renewable energy and carbon-neutral country by 2030, has impacted the objectives of the project and by extension the components and its procurement activities. As such, the project experienced: i) the removal and change in scope of procurement activities from Component 1 and Component 3; and ii) the addition of procurement activities to Component 2 of the project.

The recommended changes were approved by Cabinet at their meeting of July 9, 2020 (NOTE (20) /MEWR:44) and are financially portrayed in Table 10.

Table 10: Total Cost of the Project

Component	Original IDB Loan Amount/ US\$	Proposed Revised Loan Amount/ US\$
Component 1: NG Infrastructure	25,025,000	12,641,290
Component 2: Smart Energy Solutions	3,350,000	16,854,459
Component 3: Technical Advisory Services	4,050,000	951,852
Program Evaluation	75,000	75,000
Project Management and Monitoring	1,500,000	3,477,399
Total	34,000,000	34,000,000

Table 11: Project Datasheet Representing Key Financial Information

Programme Financials (US\$)			
	TOTAL	IDB	GOB
Total Budget at Approval	34,000,000	34,000,000	-
Revised Budget	-	-	-
Actual Expenditures, April 01, 2021 to March 31, 2022	4,198,091	4,198,091	-
Expenditure at March 31, 2022	12,576,460	12,576,460	-
Actual IDB disbursements, April 01, 2021 to March 31, 2022	3,024,159	3,024,159	-
Disbursements at March 31, 2022	15,656,653	15,656,653	-
Commitments at March 31, 2022	7,754,460	7,754,460	-
Actual Disbursements + Commitments	10,778,619	10,778,619	-

Table 12: NPC's Project Expenditure

US(\$)	TOTAL	IDB	GOB
Non-eligible Expenses at March 31, 2022	814,217	-	814,217
Total Project Expenditure to NPC at March 31, 2022	5,012,308	4,198,091	814,217

Human Resources Overview

The fiscal year ended March 2022 had similar COVID-19 challenges to the previous year. Some main challenges included reduced productivity in some key departments where a response by use of technology could not be utilized. However, efforts were made to continue to maintain staff levels in respect of temporary staff where it was economically and operationally prudent to do so.



During this period, where it was possible to facilitate use of the Corporation's work from home policy, this was heavily employed to combat office closures in some key administrative areas.

During this period, it was important to maintain staff morale and engagement as the pandemic's disruption meant a level of disequilibrium for some members. For the period under review, the NPC saw four persons retiring with tenures ranging from 24 to 41 years of service.

Staffing & Recruitment

Staff complement was 110 at March 31, 2022, as compared with 109 as at March 31, 2021. This figure at year-end included temporary resources recruited to fill the void resulting primarily from periods of leave or as a result of retirement or resignation of the incumbents.

Employee Engagement and Social Cohesion

In an acknowledgment of the employees' dedication and support during the year under review, the Corporation facilitated its annual Employee Appreciation Week during the period December 20 – 24, 2021. This was immediately followed by the annual Long Service Awards presentation where tokens of appreciation were presented to staff in 10, 20, 25 and 35-year categories.

Compensation & Benefits

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

Training & Development

During the financial year ended March 2022, training was facilitated in the following key areas:

- Foreman Training (Internal)
- Fitter Training (Internal)
- Minimum Wage Webinars
- Treating to Employee Payment in a Disaster
- Accident Reporting and Investigation
- Natural Gas Safety
- Meter Attendant Training
- LNG ISO Tank/Plant Operator Training
- Customer Service Representative Training
- Risk Management (Virtual Workshop)
- PAYE Return Compliance (Virtual Workshop)
- Refresher Training for Meter Readers
- Trustee Training Seminars
- Roles and Responsibilities of Health and Safety Committee Members Training

Overall, the number of training hours totaled 5,235.5 hours for the review period.

Retirees

The Corporation has benefited over the years from the dedication and loyalty of its employees, whose commitment have helped to ensure the achievement of its operational and strategic goals. During the year under review, four such long-standing employees with tenures ranging from 24 to 41 years of service retired from the Corporation.

Retirees



Michael J Bascombe
24 years of service



Wayne Browne
24 years of service



Wosley Holder
41 years of service



Emmerson Scott
39 years of service

Recognition of Long Service Awardees

The Corporation has over the years, recognized that it is a testament to the commitment of staff that the Corporation celebrates long service. With low turnover, there is the benefit of maintaining institutional knowledge and opportunity to invest in those who contributed their time, skills and competence to organizational growth. As such, special recognition was given to the treasured staff members who celebrated their individual milestones.

Long Service Awardees 10 years



Corey Butcher
Meter Reader



Adrian Dixon
SCADA Operator (Ag)



Roland Marshall
Renewable Energy Technician



Adrian Martelly
General Worker



Renaldo Niles
Fitter



Jamal Squires
Petroleum Engineer



Adrian Weekes
General Worker

Long Service Awardee 20 years



Julie Miller
Secretary - Finance and Accounting

Long Service Awardees 25 years



Nicola Codrington
Supervisor - Drawing & Records (Ag)



Ryan Griffith
Technician

Long Service Awardees 35 years



Michelle Bovell
Systems Operator



Grace Haynes
Accounts Clerk - Payables

NATIONAL PETROLEUM CORPORATION

Audited Financial Statements

March 31, 2022

(expressed in Barbados dollars)

Independent auditor's report

To the Board of Directors of National Petroleum Corporation

Our qualified opinion

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the financial position of National Petroleum Corporation (the Corporation) as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2022;
- the statement of changes in equity for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

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

Included in investment in associated company on the statement of financial position and share of profit/(loss) of associated company on the statement of comprehensive income are amounts of \$23,885,714 (2021 - \$28,757,632) and \$930,189 (2021 - \$(5,336,512)) respectively in relation to the Corporation's interest in Barbados National Oil Company Limited (BNOCL). The BNOCL in-house oil and gas reserves reports prepared as at March 31, 2022 and March 31, 2021 did not fully evaluate in-place volumes, reserves resources and project cost assumptions nor were they prepared in accordance with Society of Petroleum Engineers or Petroleum Resource Management System guidelines. As such the oil and gas reserves reported in both reports were deemed to be inconclusive. In the absence of reliable information with respect to the Group's oil and gas reserves, the associated company's auditor was unable to determine whether adjustments might have been necessary in respect of the depletion costs reported in the consolidated statement of comprehensive income and consolidated statement of cash flows, and property, plant and equipment reported in the consolidated statement of financial position.



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

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

Independence

We are independent of the Corporation in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the 2022 Annual Report (but does not include the financial statements and our auditor's report thereon).

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. As described in the *Basis for qualified opinion* section above, we were unable to determine whether adjustments might have been necessary to accounts receivable and general, administrative and commercial expenses due to the effects on the financial statements of the failure to implement IFRS 9 having not been determined and also, in respect of the Corporation's interest in BNOCL relating to the 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 these matters.

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

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

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



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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Other matter

This report is made solely for the information and use of the Board of Directors of National Petroleum Corporation. Our audit work has been undertaken so that we might state to the Corporation's Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation's Board of Directors as a body, for our audit work, for this report, or for the qualified opinion we have formed.

PricewaterhouseCoopers SRH

Bridgetown, Barbados
October 26, 2022

National Petroleum Corporation

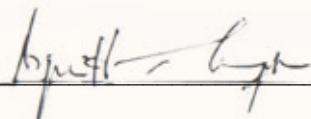
Statement of Financial Position

As of March 31, 2022

(expressed in Barbados dollars)

	2022 \$	2021 \$
Assets		
Current assets		
Cash on hand and at bank (note 4)	1,685,351	1,731,483
Accounts receivable (note 5)	3,982,547	2,478,891
Inventories (note 6)	2,544,420	1,152,345
Due from associated company (note 7)	6,217,778	7,877,387
Prepaid expenses	283,521	188,695
	14,713,617	13,428,801
Property, plant and equipment (note 8)	30,448,736	31,598,151
Investment in associated company (note 9)	23,885,714	28,757,632
Due from associated company (note 7)	17,895,583	11,854,635
Total assets	86,943,650	85,639,219
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	4,471,919	4,561,973
Due to related company (note 7)	2,414,880	7,863,540
Progress payments received (note 11)	66,924	58,714
	6,953,723	12,484,227
Borrowings (note 12)	31,704,722	25,580,799
Deferred lease premium (note 13)	270,303	300,303
Deferred credit (note 14)	1,267,925	1,313,556
Pension plan liability (note 15)	2,330,832	3,301,205
Capital grants (note 16)	2,525,834	2,634,680
Total liabilities	45,053,339	45,614,770
Equity		
Capital contributed by Government of Barbados (note 17)	10,407,157	10,407,157
Retained earnings	31,483,154	29,617,292
Total equity	41,890,311	40,024,449
Total liabilities and equity	86,943,650	85,639,219

Approved by the Board of Directors on September 28, 2022

 Director

 Director

National Petroleum Corporation

Statement of Changes in Equity For the year ended March 31, 2022

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Retained earnings \$	Total \$
Balance at March 31, 2020	10,407,157	45,833,435	56,240,592
Comprehensive loss for the year			
Net loss for the year	—	(15,746,789)	(15,746,789)
Other comprehensive loss	—	(469,354)	(469,354)
Total comprehensive loss for the year	—	(16,216,143)	(16,216,143)
Balance at March 31, 2021	10,407,157	29,617,292	40,024,449
Comprehensive loss for the year			
Net loss for the year	—	(14,572,719)	(14,572,719)
Other comprehensive loss	—	(325,311)	(325,311)
Total comprehensive loss for the year	—	(14,898,030)	(14,898,030)
Write-off of intra-governmental debt (note 29)	—	16,763,892	16,763,892
Balance at March 31, 2022	10,407,157	31,483,154	41,890,311

National Petroleum Corporation

Statement of Comprehensive Income

For the year ended March 31, 2022

(expressed in Barbados dollars)

	2022 \$	2021 \$
Sales		
Natural gas	19,574,097	15,279,992
Operating expenses		
Production, transmission and distribution (note 18)	23,805,736	13,641,040
General, administrative and commercial	8,543,608	9,091,519
Depreciation (notes 8 and 23)	3,139,836	3,259,483
	35,489,180	25,992,042
	(15,915,083)	(10,712,050)
Other income (note 19)	595,985	529,130
Operating loss	(15,319,098)	(10,182,920)
Interest and other loan expenses	(183,810)	(227,357)
Net loss for the year before share of profit/(loss) of associated company	(15,502,908)	(10,410,277)
Share of profit/(loss) of associated company (note 9)	930,189	(5,336,512)
Net loss for the year	(14,572,719)	(15,746,789)
Other comprehensive loss:		
<i>Items that will not be reclassified to income:</i>		
Remeasurements of defined employee benefits (note 15)	29,810	(156,685)
Share of other comprehensive loss of associated company (note 9)	(355,121)	(312,669)
Other comprehensive loss for the year	(325,311)	(469,354)
Total comprehensive loss for the year	(14,898,030)	(16,216,143)

National Petroleum Corporation

Statement of Cash Flows

For the year ended March 31, 2022

(expressed in Barbados dollars)

	2022 \$	2021 \$
Cash flows from operating activities		
Net loss for the year	(14,572,719)	(15,746,789)
Adjustments for:		
Depreciation	3,139,836	3,259,483
Adjustment property, plant and equipment	27,202	—
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of deferred credit	(45,632)	(45,632)
Amortisation of capital grant	(108,846)	(108,846)
Interest and other loan expenses	183,810	227,357
Interest income	(173)	(466)
Pension expense	555,020	598,462
Share of loss of associated company	(930,189)	5,336,512
IDB loan expenses	483,286	1,003,951
Operating loss before working capital changes	(11,298,405)	(5,505,968)
(Increase)/decrease in accounts receivable	(1,503,656)	817,476
Increase in inventories	(49,228)	(207,176)
(Increase)/decrease in amount due from associated company	(715,818)	1,589,754
Decrease/(increase) in prepaid expenses	58,572	(47,800)
(Decrease)/increase in accounts payable and accrued liabilities	(90,054)	218,878
Increase in amount due to related company	16,762,218	2,833,938
Increase in progress payments	8,210	—
Cash generated from/(used in) operations	3,171,839	(300,898)
Interest and other loan expenses paid	(183,810)	(227,357)
Pension contributions paid	(1,495,583)	(1,495,583)
Net cash generated from/(used in) from operating activities	1,492,446	(2,023,838)
Cash flows used in investing activities		
Purchase of property, plant and equipment	(1,538,751)	(974,822)
Interest income received	173	466
Net cash used in investing activities	(1,538,578)	(974,356)
Decrease in cash and cash equivalents	(46,132)	(2,998,194)
Cash and cash equivalents - beginning of year	1,731,483	4,729,677
Cash and cash equivalents - end of year	1,685,351	1,731,483
Non-cash investing and financing activities (note 27)		

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

1 Establishment, principal activity and registered office

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

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

2 Significant accounting policies

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

a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

i) *New standards, amendments and interpretations to existing standards effective in the 2022 financial year*

No new standards, amendments and interpretations to existing standards are applicable to the financial year.

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

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

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

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

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

Amendment to IAS 1, 'Presentation and financial statements' on classification of liabilities. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarified what IAS 1 means when it refers to the 'settlement' of liability (effective January 1, 2024).

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 cost in profit or loss (effective January 1, 2022).

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

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

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

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 January 1, 2023).

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

b) Accounts receivable

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

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

c) Inventories

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

d) Property, plant and equipment

Property, plant and equipment other than land at Wildey are stated at historical cost less accumulated depreciation. The land at Wildey is shown at a valuation determined at the time the land was granted to the Corporation by the Government of Barbados. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Buildings	- 20 years
Capitalised software	- 3 years
Field regulating equipment	- 20 to 40 years
Mains and services	- 40 years
Meters	- 20 years
Moveable equipment:	
- GIS & S.C.A.D.A. equipment	- 10 to 20 years
- Plant and machinery	- 10 years
- Office equipment, furniture and fittings	- 10 years
- Motor vehicles	- 5 years
- Communications and I.T. equipment	- 3 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

d) Property, plant and equipment ...continued

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

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

e) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

f) Investment in associated company

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

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

g) Grants and deferred credits

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

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

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

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

h) Taxation

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

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

i) Provisions

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

j) Borrowings

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

k) Pension plan valuation

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

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

l) Revenue recognition

Sales are recognised upon delivery of service to customers.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

m) Foreign currency translation

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

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

n) Cash and cash equivalents

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

3 Critical accounting estimates and judgements

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

4 Cash resources

	2022 \$	2021 \$
Cash on hand and at bank:		
Petty cash	1,532	903
Current accounts	346,609	346,496
Savings account	1,337,210	1,384,084
	1,685,351	1,731,483

Significant concentrations of cash resources are as follows:

	2022 \$	2021 \$
Scotiabank	172,627	515,889
FirstCaribbean International Bank	14,014	544,527
Republic Bank (Barbados) Limited	1,473,769	670,164
RBC Royal Bank (Barbados) Limited	23,409	—
	1,683,819	1,730,580

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

5 Accounts receivable

	2022 \$	2021 \$
Trade receivables:		
Customers	3,055,708	2,696,975
Servicing	546,165	353,193
	3,601,873	3,050,168
Less: Provision for impairment of receivables	(887,323)	(853,071)
Trade receivables - net	2,714,550	2,197,097
Other receivables	1,267,997	281,794
	3,982,547	2,478,891

As at year end, trade receivables of \$2,111,982 (2021 - \$1,220,209) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$602,568 (2021 - \$976,888) were past due but not impaired. These relate to customers for whom there is no history of default. The ageing analysis of receivables is as follows:

	2022 \$	2021 \$
30 to 60 days	499,994	673,515
Over 90 days	102,574	303,373
	602,568	976,888

As at year end, trade receivables of \$887,323 (2021 - \$853,071) were impaired and provided for. The aging of these trade receivables is as follows:

	2022 \$	2021 \$
Over 360 days	887,323	853,071

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

5 Accounts receivable ...continued

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

	2022 \$	2021 \$
Balance - beginning of year	853,071	782,672
Impairment charge	34,252	70,399
Balance - end of year	887,323	853,071

Direct write offs to the statement of comprehensive income in respect of impaired receivables were \$1,403 (2021 - \$4,366).

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

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

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

6 Inventories

	2022 \$	2021 \$
Materials and supplies	2,715,221	1,350,902
Provision for obsolescence	(231,728)	(231,728)
Gas	2,483,493	1,119,174
	60,927	33,171
	2,544,420	1,152,345

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

7 Related party balances

Due from:

	2022 \$	2021 \$
Current:		
Barbados National Oil Company Limited (i)	25,419	—
National Petroleum Corporation Project Execution Unit (ii)	6,192,359	7,877,387
	<u>6,217,778</u>	<u>7,877,387</u>
Non-current:		
Barbados National Oil Company Limited (i)	<u>17,895,583</u>	<u>11,854,635</u>

- i) Current amounts due from/(to) Barbados National Oil Company Limited relate to recharges. These balances are unsecured, interest free and without terms of repayment. The balances classified as non-current relate to amounts due under the institutional co-operation framework agreement with the Corporation and BNOCL in respect of the Government of Barbados/IDB USD\$34M loan (Note 12).
- ii) The amount due from National Petroleum Corporation Project Execution Unit (PEU) arises from the undisbursed loan amounts and payment of salaries on behalf of the PEU net of VAT and duties repayable to the PEU. These balances are unsecured, interest free and without terms of repayment.

Due to:

	2022 \$	2021 \$
Barbados National Oil Company Limited (i)	—	130,216
Barbados National Oilfield Services Limited	2,414,880	7,733,323
	<u>2,414,880</u>	<u>7,863,539</u>

The balance due to Barbados National Oilfield Services Limited arose in respect of the purchase of gas in the normal course of business. It is interest free, unsecured and is normally payable within 30 days of the invoice date. Gas purchases from the related company are disclosed in note 25.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

8 Property, plant and equipment

At March 31, 2020

	Land and buildings \$	Capitalised software \$	Mains and services \$	Field regulating equipment \$	Meters \$	Moveable equipment \$	Total \$
Cost or valuation	5,592,811	369,726	77,389,857	2,883,460	8,249,381	10,653,143	105,138,378
Accumulated depreciation	(5,345,881)	(82,161)	(49,635,974)	(1,631,252)	(7,329,772)	(7,643,856)	(71,668,896)
Net book amount	246,930	287,565	27,753,883	1,252,208	919,609	3,009,287	33,469,482

Year ended March 31, 2021

Opening net book amount	246,930	287,565	27,753,883	1,252,208	919,609	3,009,287	33,469,482
Additions	495,600	–	395,128	–	–	84,094	974,822
Additions from NPC Project Execution Unit	–	43,670	–	–	–	478,409	522,079
Disposals	–	(118,881)	–	(1,189)	–	–	(120,070)
Depreciation on disposals	–	11,322	–	–	–	–	11,322
Depreciation charge (note 23)	(18,228)	(83,615)	(1,607,199)	(87,681)	(384,112)	(1,078,649)	(3,259,484)
Closing net book amount	724,302	140,061	26,541,812	1,163,338	535,497	2,493,141	31,598,151

At March 31, 2021

Cost or valuation	6,088,411	294,515	77,784,985	2,882,271	8,249,381	11,215,646	106,515,209
Accumulated depreciation	(5,364,109)	(154,454)	(51,243,173)	(1,718,933)	(7,713,884)	(8,722,505)	(74,917,058)
Net book amount	724,302	140,061	26,541,812	1,163,338	535,497	2,493,141	31,598,151

National Petroleum Corporation

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March 31, 2022

(expressed in Barbados dollars)

8 Property, plant and equipment ...continued

Year ended March 31, 2022

	Land and buildings \$	Capitalised software \$	Mains and services \$	Field regulating equipment \$	Meters \$	Moveable equipment \$	Total \$
Opening net book amount	724,302	140,061	26,541,812	1,163,338	535,497	2,493,141	31,598,151
Additions	2,751	63,704	794,546	606,391	—	71,359	1,538,751
Additions from NPC Project							
Execution Unit	—	18,716	—	—	—	460,156	478,872
Adjustments	(20,885)	—	—	(66,846)	159,505	(98,976)	(27,202)
Depreciation charge (note 23)	(26,499)	(94,858)	(1,599,575)	(138,549)	(384,112)	(896,243)	(3,139,836)
Closing net book amount	679,669	127,623	25,736,783	1,564,334	310,890	2,029,437	30,448,736

At March 31, 2022

Cost or valuation	6,091,162	376,935	78,579,531	3,488,662	8,249,381	11,747,161	108,532,832
Accumulated depreciation	(5,390,608)	(249,312)	(52,842,748)	(1,857,482)	(8,097,996)	(9,618,748)	(78,056,894)
Adjustments to cost or valuation	—	—	(644,117)	(1,564,607)	(7,859,111)	(7,993,446)	(18,061,281)
Adjustments to accumulated depreciation	(20,885)	—	644,117	1,497,761	8,018,616	7,894,470	18,034,079
Net book amount	679,669	127,623	25,736,783	1,564,334	310,890	2,029,437	30,448,736

a) Property, plant and equipment other than land at Wilkey are stated at historical cost.

b) The land at Wilkey, which was granted to the Corporation by the Government of Barbados in 1978, is stated at its estimated value at that time of \$218,000 (Note 17).

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

9 Investment in associated company

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

	2022 \$	2021 \$
Balance - beginning of year	28,757,632	34,406,813
Share of profit/(loss) for the year	930,189	(5,336,512)
Share of other comprehensive loss for the year	(355,121)	(312,669)
Share of write-off of intra-governmental debt to retained earnings (note 29)	(5,446,986)	—
Balance - end of year	23,885,714	28,757,632

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

	Assets \$	Liabilities \$	Revenue \$	Net profit/ (loss) \$
2022	69,290,245	45,404,531	122,006,634	930,189
2021	62,041,680	33,284,049	60,819,062	(5,336,512)

10 Accounts payable and accrued liabilities

	2022 \$	2021 \$
Customer deposits	2,815,107	2,598,437
Trade payables	804,260	952,448
Payroll deductions and costs	148,473	175,325
Accrued expenses	704,079	835,763
	4,471,919	4,561,973

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

11 Progress payments received

Payments received in respect of capital projects were as follows:

	2022 \$	2021 \$
Balance - beginning of year	58,714	58,714
Additions	8,210	—
Balance - end of year	66,924	58,714

12 Borrowings

	2022 \$	2021 \$
Government of Barbados/IDB USD\$34M loan	31,704,722	25,580,799
Less instalments due within twelve months	—	—
Long-term portion	31,704,722	25,580,799

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; December 15, 2023 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. The final repayment date is May 15, 2041.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

13 Deferred lease premium

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

\$

At March 31, 2020

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(1,170,000)</u>
Net book amount	<u>330,303</u>

Year ended March 31, 2021

Opening net balance	330,303
Amortisation (note 19)	<u>(30,000)</u>
Closing net balance	<u>300,303</u>

At March 31, 2021

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(1,200,000)</u>
Net book amount	<u>300,303</u>

Year ended March 31, 2022

Opening net balance	300,303
Amortisation (note 19)	<u>(30,000)</u>
Closing net balance	<u>270,303</u>

At March 31, 2022

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(1,230,000)</u>
Net book amount	<u>270,303</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

14 Deferred credit

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

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

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

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

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

	2022 \$	2021 \$
Balance - beginning of year	1,313,556	1,359,188
Amortisation (note 19)	(45,632)	(45,632)
Balance - end of year	1,267,924	1,313,556

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

15 Pension plan

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

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

The triennial valuation of the plan was performed as of April 1, 2019. The actuary recommended a funding rate of 24.62% of the salaries and wages of those under the plan (8.12% to cover current service costs and 16.50% to cover the pension deficit).

	2022 \$	2021 \$
Present value of funded obligations	15,879,312	17,175,656
Fair value of plan assets	(15,142,658)	(14,957,976)
Effect of IFRIC 14	1,594,178	1,083,525
Net liability at end of year	2,330,832	3,301,205

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

	2022 \$	2021 \$
Present value of funded obligations, beginning of year	17,175,656	17,339,548
Current service cost	324,118	310,985
Interest cost	1,292,839	1,310,628
Employee contributions	2,400	2,400
Benefits paid	(1,638,323)	(1,480,797)
Remeasurements:		
Experience gains	(1,277,378)	(307,108)
Present value of funded obligations, end of year	15,879,312	17,175,656

National Petroleum Corporation

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(expressed in Barbados dollars)

15 Pension plan ...continued

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

	2022 \$	2021 \$
Fair value of plan assets - beginning of year	14,957,976	14,654,316
Employer contributions paid	1,495,583	1,495,583
Employee contributions	2,400	2,400
Benefits paid	(1,638,323)	(1,480,797)
Plan administration expenses	(7,600)	(7,800)
Remeasurements:		
Return on plan assets	332,622	294,274
Fair value of plan assets - end of year	15,142,658	14,957,976

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

	2022 \$	2021 \$
Net liability, beginning of year	3,301,205	4,041,641
Net pension expense included in the statement of comprehensive income (note 22)	555,020	598,462
Remeasurements included in other comprehensive income	(29,810)	156,685
Contributions paid	(1,495,583)	(1,495,583)
Net liability, end of year	2,330,832	3,301,205

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

	2022 \$	2021 \$
Current service cost	324,118	310,985
Net interest on the net defined benefit liability	139,329	174,555
Plan administration expenses	7,600	7,800
Interest on effect of asset ceiling	83,973	105,122
Total included in staff costs	555,020	598,462

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

15 Pension plan ...continued

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

	2022 \$	2021 \$
<i>Remeasurements:</i>		
Change in assumptions	(282,942)	—
Experience gains	(994,436)	(307,108)
Effect of IFRIC 14	426,680	(378,006)
Return on plan assets excluding amounts included in interest expense	820,888	841,799
Total included in other comprehensive income	(29,810)	156,685

Expected maturity analysis of undiscounted pension benefits:

	Less than a year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Over 5 years \$M	Total \$M
Pension benefits	1.567	1.327	3.569	6.073	12.536

Principal actuarial assumptions used for accounting purposes were as follows:

	2022	2021
Discount rate at end of year	8.25%	7.75%
Future promotional salary increases	2.00%	2.00%
Future inflationary salary increases	3.75%	3.75%
Future pension increases	1.25%	0.75%
Proportion of employees opting for early retirement	10% of eligible members	10% of eligible members
Future changes in NIS ceiling	3.5%	3.5%
Mortality	UP 94 at 2022 with Projection Scale AA	UP 94 at 2021 with Projection Scale AA

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

15 Pension plan ...continued

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption \$	Decrease in assumption \$
Discount rate	1%	14,428,795	17,625,954
Salary growth rate	0.5%	16,358,501	15,443,689
Life expectancy	1 year	16,552,374	–

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

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

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

Changes in deposit administration policy yields

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

Life expectancy

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

Expected contributions for the year ending March 31, 2023 are \$1,495,583. The weighted average duration of the defined plan is 10.11 years.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

16 Capital grants

\$

Year ended March 31, 2021

Opening net book amount	2,743,526
Amortisation (note 19)	<u>(108,846)</u>

Closing net book amount	<u>2,634,680</u>
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At March 31, 2021

Cost	3,492,469
Accumulated amortisation	<u>(857,789)</u>

Closing net book amount	<u>2,634,680</u>
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Year ended March 31, 2022

Opening net book amount	2,634,680
Amortisation (note 19)	<u>(108,846)</u>

Closing net book amount	<u>2,525,834</u>
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At March 31, 2022

Cost	3,492,469
Accumulated amortisation	<u>(966,635)</u>

Closing net book amount	<u>2,525,834</u>
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National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

17 Capital contributed by Government of Barbados

This is comprised of:

	2022 \$	2021 \$
Capitalised loans	950,000	950,000
Capitalised interest on loans	1,333,802	1,333,802
Capitalisation of land granted to the Corporation (note 8)	218,000	218,000
Additional capital contributed by Government of Barbados during 1982/83	20,000	20,000
Loan principal and interest paid by Government of Barbados net of consideration for shares issued in Barbados National Oil Company Limited to Government of Barbados	7,885,355	7,885,355
	<u>10,407,157</u>	<u>10,407,157</u>

18 Production, transmission and distribution costs

	2022 \$	2021 \$
Production	21,241,318	10,974,604
Distribution	<u>2,955,815</u>	<u>2,855,398</u>
	24,197,133	13,830,002
Less:		
Reimbursements through jobbing	(137,009)	(59,330)
Installation and re-connection fees	(193,087)	(86,389)
In house services	(48,164)	(27,490)
Reposition revenue	<u>(13,137)</u>	<u>(15,753)</u>
	<u>23,805,736</u>	<u>13,641,040</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

19 Other income

	2022 \$	2021 \$
Interest	173	466
Rental income	222,078	222,078
Miscellaneous income	189,256	122,108
	411,507	344,652
Amortisation of lease premium (note 13)	30,000	30,000
Amortisation of deferred credit (note 14)	45,632	45,632
Amortisation of capital grant (note 16)	108,846	108,846
	595,985	529,130

20 Taxation

The tax on the Corporation's net loss for the year differs from the theoretical amount that would arise using the basic tax rate as follows:

	2022 \$	2021 \$
Net loss for the year	(14,572,719)	(15,746,789)
Tax calculated at 5.5% (2021 - 5.5%)	(801,500)	(866,073)
Tax effect of the following:		
Expenses not deductible for tax purposes	115,136	355,244
Income not subject to tax	(57,147)	(12,591)
Taxes losses expiring unutilised	19,395	—
Movement in deferred tax asset not recognised	724,116	523,420
	—	—

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

20 Taxation ...continued

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

The deferred tax asset consists of the following components:

	2022 \$	2021 \$
Delayed tax depreciation	15,478,226	12,951,181
Unutilised tax losses (note 21)	23,239,142	12,011,791
Pension plan liability	2,330,832	3,301,205
	41,048,200	28,264,177
Deferred tax asset at corporation tax rate of 5.5% (2021 - 5.5%)	2,257,651	1,554,530

The expiry dates of the tax losses are disclosed in note 21. The other temporary differences have no expiry dates.

21 Tax losses

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

Year	Balance b/f \$	Adjustments \$	Incurred \$	Expired \$	Balance c/f \$	Expiry date
2015	352,633	—	—	(352,633)	—	
2017	769,122	—	—	—	769,122	2024
2019	7,627	—	—	—	7,627	2026
2020	3,718,277	—	—	—	3,718,277	2027
2021	7,164,132	169,567	—	—	7,333,699	2028
2022	—	—	11,410,417	—	11,410,417	2029
	12,011,791	169,567	11,410,417	(352,633)	23,239,142	

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

22 Staff costs

Staff costs comprise the following:

	2022 \$	2021 \$
Salaries, wages and gratuities	5,943,370	5,656,624
National Insurance	603,515	518,150
Pension expense (note 15)	555,020	598,462
Other employee expenses	397,562	297,946
	<u>7,499,467</u>	<u>7,071,182</u>
The number of persons employed at year end was as follows	<u>110</u>	<u>109</u>

23 Expenses by nature

	2022 \$	2021 \$
Depreciation (note 8)	3,139,836	3,259,483
Gas purchased (note 25)	21,241,545	10,974,603
Salaries, wages and gratuities	6,546,885	6,174,774
Other employee expenses	952,582	896,408
Administration and general expenses	1,197,882	2,006,676
Distribution expenses and maintenance	719,935	680,223
IDB project expenses	496,116	753,852
Customer related expenses	369,918	381,871
Utilities	383,627	331,494
Insurance	277,161	272,165
General maintenance	266,961	215,003
Security expenses	162,165	124,845
Property tax	109,963	109,606
Legal expenses	16,000	—
	<u>35,880,576</u>	<u>26,181,003</u>
Recovery of distribution expenses	<u>(391,396)</u>	<u>(188,961)</u>
Total operating expenses	<u>35,489,180</u>	<u>25,992,042</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

24 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2022/23 of \$2,954,000 (2021/22 - \$2,238,600). None of this expenditure had been contracted for at that date.

25 Related party transactions

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

	2022 \$	2021 \$
Purchase of gas	21,241,545	10,974,603
Purchases relating to property, plant and equipment (note 8)	591,183	495,600

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

	2022 \$	2021 \$
Salaries	760,258	616,985
Directors' fees	38,800	38,800
Balance - end of year	799,058	655,785

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March 31, 2022

(expressed in Barbados dollars)

26 Financial risk management

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

a) Market risk

i) Foreign exchange risk

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

ii) Cash flow and fair value interest rate risk

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

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

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

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

	2022 \$	2021 \$
Fixed rate borrowings	<u>31,704,722</u>	<u>25,580,799</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

26 Financial risk management ...continued

b) Credit risk

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

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

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

The maximum credit risk exposure is as follows:

	2022		2021	
	\$	%	\$	%
Cash on hand and at bank	1,685,351	6	1,731,483	7
Accounts receivable	2,714,550	10	2,197,097	10
Due from associated company	24,113,361	84	19,732,022	83
	28,513,262	100	23,660,602	100

National Petroleum Corporation

Notes to Financial Statements
March 31, 2022

(expressed in Barbados dollars)

26 Financial risk management ...continued

c) Liquidity risk

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

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

	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$
2022						
Assets						
Cash on hand and at bank	1,685,351	1,685,351	1,685,351	–	–	–
Accounts receivable	2,714,550	2,714,550	2,714,550	–	–	–
Due from associated company	24,113,361	24,113,361	6,217,778	717,188	4,303,125	12,875,270
	28,513,262	28,513,262	10,617,679	717,188	4,303,125	12,875,270
Liabilities						
Accounts payable	3,619,367	3,619,367	3,619,367	–	–	–
Due to related company	2,414,880	2,414,880	2,414,880	–	–	–
Borrowings	31,704,722	31,704,722	–	1,434,375	8,606,250	21,664,097
	37,738,969	37,738,969	6,034,247	1,434,375	8,606,250	21,664,097
Liquidity gap	(9,225,707)	(9,225,707)	4,583,432	(717,187)	(4,303,125)	(8,788,827)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

26 Financial risk management ...continued

c) Liquidity risk ...continued

2021	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$
Assets						
Cash on hand and at bank	1,731,483	1,731,483	1,731,483	—	—	—
Accounts receivable	2,197,097	2,197,097	2,197,097	—	—	—
Due from associated company	19,732,022	19,732,022	7,877,387	—	3,585,938	8,268,697
	23,660,602	23,660,602	11,805,967	—	3,585,938	8,268,697
Liabilities						
Accounts payable	3,550,885	3,550,885	3,550,885	—	—	—
Due to related company	7,863,539	7,863,539	7,863,539	—	—	—
Borrowings	25,580,799	25,580,799	—	—	7,171,875	18,408,924
	36,995,223	36,995,223	11,414,424	—	7,171,875	18,408,924
Liquidity gap	(13,334,621)	(13,334,621)	391,543	—	(3,585,937)	(10,140,227)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

26 Financial risk management ...continued

c) Liquidity risk ...continued

The Corporation engaged in discussions with other stakeholders in the supply chain for the provision of natural gas to strategise on the increased gas purchase expense and its impact on the Corporation's liquidity position. The increasing occurrences of price volatility were recognised and the Ministry of Finance determined two actions to assist in managing liquidity risk. Firstly, an increase of the Corporation's sales tariff effective April 1, 2022. Secondly, further analysis of the factors that influence the weighted average cost of gas sold to the Corporation with the intent to streamline or improve these factors to result in the reduction of the cost.

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

c) Capital risk management

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

27 Cash flow information

Non-cash investing and financing activities:

	2022 \$	2021 \$
Additions to property, plant and equipment	478,988	522,079
Borrowings	6,123,923	9,274,165
Amounts due from associated company	(2,377,866)	2,513,479

National Petroleum Corporation

Notes to Financial Statements

March 31, 2022

(expressed in Barbados dollars)

28 Other events

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

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

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

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

29 Write-off of BNOCL debt

On March 11, 2022, the Government of Barbados instructed that the amount of \$22,210,878 owed to BNOCL by the Corporation as at February 28, 2022, be written off with immediate effect. In recording its share of the results of BNOCL for the year, the Corporation has deducted the amount of the write-off relating to its 24.5% interest in BNOCL.

	2022 \$
Write-off of intra-government debt by the Corporation	22,210,878
Share of write-off of intra-governmental debt by associated company	<u>(5,446,986)</u>
	<u>16,763,892</u>

30 COVID-19

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced significant volatility and there have been significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which the Corporation and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. As of September 28, 2022 management was not aware of any significant adverse effects on the financial statements for the year ended March 31, 2022 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Corporation.

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