





Annual Report

2011

NATIONAL PETROLEUM CORPORATION

NATIONAL PETROLEUM CORPORATION

2011 ANNUAL REPORT

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Reference: 200 Vol 29
March 21st 2014

The Energy People.

Minister of Energy
Division of Energy and Telecommunications
Prime Minister's Office
Government Headquarters
Bay Street
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 twenty-ninth annual report and audited financial statements of the Corporation for the financial year ended March 31 2011.

We note that the Auditors have forwarded to you on 20th March 2014 the audited accounts and financial statements of the Corporation in accordance with section 16(5) of the Act.

Yours faithfully
NATIONAL PETROLEUM CORPORATION



Sir L V Harcourt Lewis, GCM, JP, DPA, FIBA
Chairman

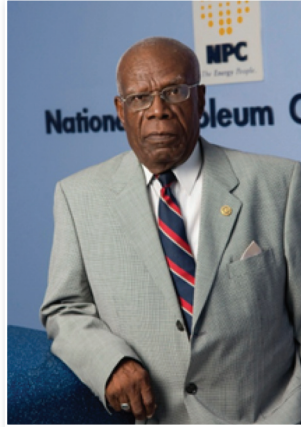
Mission & Values

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.

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 customer, 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.

The Board of Directors



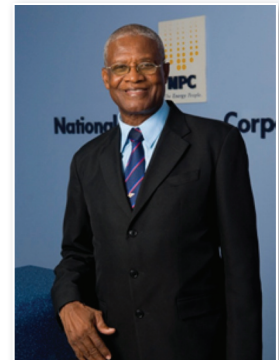
Sir Harcourt Lewis
CGM, JP, DPA, FIBA
Chairman of the Board



Mr. Noel Greenidge
Deputy Chairman



Mr. John Wilson
Director



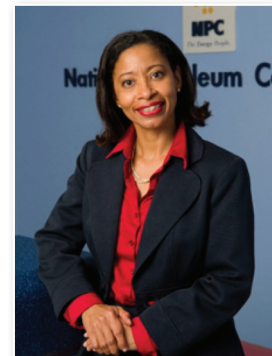
Mr. Ken Linton
Director



Mr. Winton Gibbs
Director
General Manager
Barbados National Oil Co. Ltd.



Mr. David Giles
Director
Representative Barbados
Workers Union

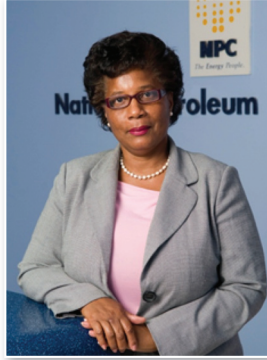


Miss Juliet Downes
Director

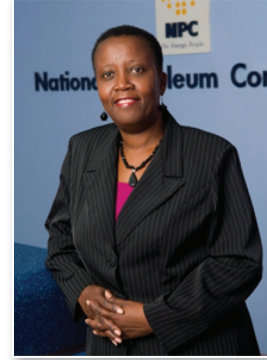
The Board of Directors



Mr. Mark Parris
Director



Ms. Doreen Johnson
Director



Ms. Hazel Gittens
Director
Representative of Permanent
Secretary, Finance



Mr. Jehu Wiltshire
Director
Representative of
Division of Energy and
Telecommunications



Mr. Hodson Carrington
Director



Ms. Laura Rudder
Corporate Secretary

LEGAL COUNSEL

Mr. Edmund King, Q.C.
Mr. Michael Yearwood

AUDITORS

PricewaterhouseCoopers
Chartered Accountants

BANKERS

Barbados National Bank Inc
FirstCaribbean International (Barbados) Limited
Scotiabank Barbados

COMMITTEES OF THE BOARD OF DIRECTORS

FINANCE COMMITTEE

Sir Harcourt Lewis - Chairman
Mr. Noel Greenidge
Mr. Mark Parris
Representative of Division of Energy & Telecommunications
Representative of Permanent Secretary, Finance

ESTABLISHMENTS COMMITTEE

Sir Harcourt Lewis - Chairman
Mr. Noel Greenidge
Mr. Ken Linton
Miss Juliet Downes
Mr. David Giles
Representative of Division of Energy & Telecommunications

TECHNICAL COMMITTEE

Sir Harcourt Lewis - Chairman
Mr. Ken Linton
Mr. Winton Gibbs
Mr. John Wilson

Principal Officers



Ms. Michelle Maria Smith
Manager – Human Resources
and Administration



**Mr. James Wallace
St. Elmo Browne**
General Manager



**Mr. Birchmore DeCoursey
Scantlebury**
Manager – Finance



**Mr. Roger Emmanuel
Arthur Martindale**
Manager – Technical
Operation

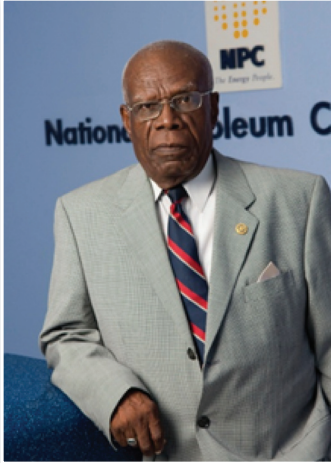


**Mr. Carlos Alistair
Carter**
Senior Project Officer



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

Chairman's Report



Sir Harcourt Lewis
CGM, JP, DPA, FIBA

During the year 2010-2011 the prevailing economic crisis continued to provide a challenging environment for the NPC. The main focus during this financial year, given the increasing costs to do business was to engage in strategies which would allow the Corporation to achieve its operational objectives while satisfying demand for our services.

To this end the NPC was able to optimize on opportunities to expand its network by collaborating with the Ministry of Transport & Works road improvement projects, National Housing Corporation housing programmes and private housing development entities on expansion and development projects.

NPC conducted small to medium sized capital work installations in approximately 45 neighborhoods throughout the island at a cost of \$2.08 million. These areas included Six Roads Development, St. Philip, Oxnards, St. James, Farm Road, St. Peter, Monroe Village, St. George and Coverley and Adams Castle, Christ Church.

NPC remains committed to working with the National Housing Corporation and all major stakeholders as it seeks to supply where feasible this cleaner and safer product to more customers. During the year under review, the Corporation completed natural gas installations to 76 housing units in NHC projects at Country Park Towers and Stuart Lodge, St. Michael, as well as installations to facilitate natural gas connection to approximately 100 homes at the private development at Adams Castle, Christ Church.

The installations at the "Villages at Coverley" continued as a part of a NPC, NHC and private developers collaboration. Along with the traditional use of natural gas for domestic cooking, this development has facilitated the wider utilization of natural gas use for domestic/household clothes drying. Each home in the development has installed a natural gas powered clothes dryer machine.

Purchase Price

In an effort to minimize the effects of the spiraling cost to acquire natural gas, the Corporation successfully negotiated for a fixed purchase price contract in May 2011 with the Barbados National Oil Co Ltd at \$7.50 per million cubic feet(mcf). This purchase was retroactive to June 2008.

Importation of Natural Gas Project

As the production capacity of the BNOCL plateau, the NPC and the BNOCL advanced negotiations for the importation of Natural Gas to Barbados. Various meetings and negotiations

were held during the year between the Government of Barbados and the Government Trinidad and Tobago and the Eastern Caribbean Pipeline Company. The Inter-American Development Bank illustrated their support through financing a Technical Cooperation(TC) project which commenced in December 2010 and was scheduled to be completed by July 2011.

The general objective of the TC was to determine the natural gas transmission and distribution infrastructure requirements to transmit and distribute natural gas from Trinidad and Tobago. The TC project was divided into Component I – assessment of fossil fuel use and Component II – assessment of the transmission and distribution Infrastructure.

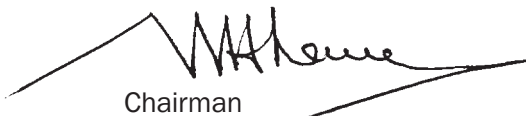
Several members of the NPC staff participated in this project including individuals from the technical, marketing, customer service, accounting and project department.

Natural Gas Powered Vehicles

The Corporation has continued to advance the use of natural gas to fuel vehicles and during the year commenced work towards bringing the fuelling station to fruition. During the year 2010/2011, all resources to make this project a reality were procured. To this end discussions continued with various commercial entities about the possibility of adding natural gas vehicles to their fleet.

The Chairman and Board of Directors of the Corporation acknowledge the employees' dedication and support during the year under review and look forward to further collaboration in meeting the challenges of the future.

By Order of the Board



Chairman

SUPERVISORS & OFFICERS

TECHNICAL OPERATION

Andrea Burnett Edward, Petroleum Engineer
Whitstanley Smith, Superintendent
Stanley Phillips, Foreman
Michael D Bascombe, Foreman

FINANCE

Ian Bradshaw, Accountant
Paula Gittens, Customer Service Officer
Karen Pilgrim, Assistant Accountant Costs & Budgets
Margo Jordan, Meter Reading Supervisor(ag)
Euclid Forde, Storekeeper

HUMAN RESOURCES & ADMINISTRATION

Basil Smart, Administrative Officer
Francine Forde, Human Resources Officer

EXECUTIVE OFFICE

Noel King, Information Technology Officer(ag)

SUMMARY OF OPERATIONS FOR PERIOD 2001/02 TO 2010/11												
Year	Miles of Main		No. of Services			Sale of Gas		** Income From All Sources	Corp. Tax (Credit) Charge	Net Income (Deficit) for year		
	In Use	Newly Laid	At Year End*	Connections During Year	Active At Year End	M3	\$ Value					
At 31 st Mar.												
2011	323.41	5.72	25,257	712	19,048	10,955,502	13,717,538	17,975,843	2,954,583	13,791,952		
2010	317.69	1.49	24,545	667	18,713	12,001,105	14,423,600	15,117,565	0	1,724,585		
2009	316.20	2.72	23,878	770	17,986	11,365,777	13,783,475	14,683,807	0	(2,922,203)		
2008	313.48	5.09	23,108	883	17,617	11,916,109	13,978,064	15,201,146	0	(15,812,254)		
2007	308.39	5.89	22,225	716	17,064	11,390,879	12,850,320	13,812,714	119,164	(572,666)		
2006	302.50	3.63	21,509	809	16,676	11,693,879	12,361,223	13,624,868	11,133	(2,276,098)		
2005	298.87	3.60	20,700	1,232	15,851	10,852,153	10,921,578	11,819,606	(27,278)	(4,278,125)		
2004	295.27	25.56	19,468	1,280	14,552	8,180,870	9,609,180	10,510,741	191,231	(1,620,381)		
2003	269.71	8.66	18,188	405	13,673	10,232,346	10,428,213	11,286,582	181,850	(1,865,816)		
2002	261.05	2.73	17,783	454	13,463	11,752,833	10,647,328	11,392,624	(1,250,677)	2,377,417		

* Services disconnected are not accounted for

** Gross of discounts and allowances

2001-2005 Miles of Main figures were adjusted to reflect the correct newly laid main for each of those years .

MANAGEMENT DISCUSSION AND ANALYSIS

Our Business

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

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

The Corporation's general functions of 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 is comprised of twelve members under the chairmanship of Sir Harcourt Lewis, KCMG, GCM, J.P. who was appointed for a period of three (3) years, effective March 2008.

Operations Overview

During the year 30,196 feet 5 inches (9.21 km or 5.72 miles) of gas distribution mains were laid. The areas in which the mains were laid are shown in Appendix I. The Corporation installed five hundred and twenty -three (523) new services.

To accelerate the number of domestic service connections, the Corporation continued its programme of subsidised installations at the rate of approximately \$1,050 per installation.

Gas Supply

The Corporation purchased 12,941,039 standard cubic metres of gas from its supplier, the BNOCL.

Gas Reserves

According to information supplied by the Ministry of Energy, the gas reserves as at March 31 2011 were estimated to be 3.875 billion standard cubic feet or 109.7 million standard cubic metres.

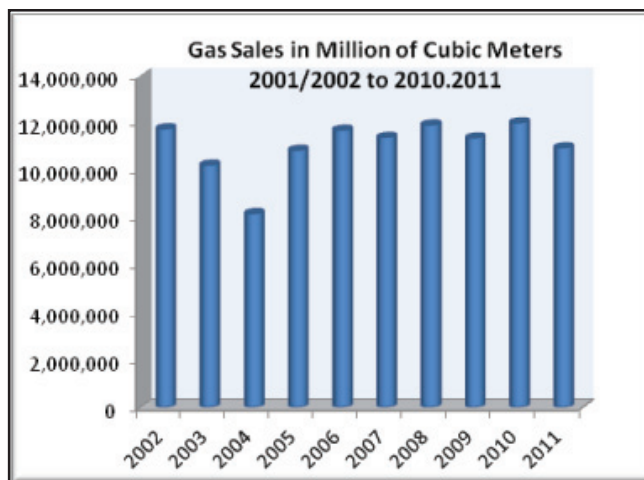
Gas Sales

The total volume of gas sold during 2010/2011 was 10,955,502 standard cubic metres as compared with 12,001,105 standard cubic metres during 2009/2010, a decrease of 1,045,603 standard cubic metres or 8.71%.

Residential sales showed a decrease of 20,611 standard cubic metres from 2,566,639 standard cubic metres to 2,546,028 standard cubic metres or 0.80%.

Commercial sales increased by 177,097 standard cubic metres from 7,490,879 standard cubic metres to 7,667,976 standard cubic metres or 2.36%.

Total sales to the Queen Elizabeth Hospital – decreased by 232,433 standard cubic metres from 970,919 standard cubic metres to 738,486 standard cubic metres or 23.94%. The average selling price per cubic metre was \$ 1.02 as compared with \$0.87 in 2009/2010, an increase of \$0.15 per cubic metre or 17.19%.



The volume of sales to the BL&P decreased significantly by 668,230 standard cubic meters from 671,242 standard cubic meters to 3,012 standard cubic meters or 99.55%. As a consequence the value of sales decreased from \$569,099 in 2009/2010 to \$3,072. The average selling price per cubic metre was \$ 1.02 as compared with \$0.85 in 2009/2010, an increase of \$0.17 per cubic metre or 20.30%. The significant reduction in usage by BL&P was due to the unavailability of gas as well as infrastructural problems at the BL&P plant. Gas was used by the BL&P for only three (3) months over the entire period under review.

The price at which natural gas was purchased by the Corporation from the BNOCL was \$7.50/mcf. On May 19, 2011 the Government of Barbados approved this retroactive rate for the purchase of natural gas for the three year period effective June 1, 2008 to May 31, 2011.

FINANCIAL OVERVIEW

Income

NPC's net income from operations for the year decreased from \$1,724,585 in 2010 to (\$203,733) in the current year.

NPC's income from all sources for the year increased by 15.91% from \$15,117,565 in 2010 to \$17,975,843 in 2011. Of this total \$13,967,083 represented income from natural gas sales. A government subsidy of \$466,120 was also received during the period under review.

Net income and total comprehensive income for the year totalled \$13,791,952 of which \$11,041,102 represented the share of income of associated company.

Operating Expenses

The total operating expenses increased by \$1,964,425 or 15.53% over the previous year. This expense included administrative and commercial expenses totalling \$8,915,103 and the cost of gas purchased of \$3,604,777.

Capital Expenditure

Capital expenditure for the year totalled \$2,851,509 under the following heads.

	\$
Land and Buildings	139,800
Gas Wells, Pipelines, Production and Transmission Equipment	39,710
Distribution Plant and Equipment	2,415,081
Moveable Equipment and Furniture	256,918

Cash Flow

The Corporation's cash flow from operating activities at the beginning of the year was \$980,996 compared with the total of \$547,945 at the end of the financial year 2010/2011.

HUMAN RESOURCES

Staff

The staff complement as at March 31 2011 was 118 as compared with 114 as at March 31 2010.

Pensions (Insurance Corporation of Barbados)

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 administered through the Statutory Corporation Pension Fund.

During the period under review an additional two members retired and the balance of the plan at the end of the year totaled \$14,278,553.

REWARDS AND RECOGNITION SCHEMES

EMPLOYEE OF THE MONTH

The Employee of the Month/Year Programme rewards employees who had demonstrated that they had gone beyond the call of duty and performed exceptionally well. Four (4) members of staff made up the selection panel under the chairmanship of Ms Karen Bynoe– Marketing and Sales Representative. Certificates were issued each month to the Employee of the Month along with a voucher or monetary award.

Mr. Winston Todd, Meter Reader was selected from the Employee of the Month Awardees as the recipient of the Employee of the Year Award.

The Supervisor of the Year Award was won by Ms Karen Pilgrim, Assistant Accountant Cost & Budgets for her leadership and team building skills.

KPI AWARD

The Cost & Budgets Section achieved their target of zero stock outages for the year and were awarded the KPI Award for the Year 2010.

RETIREMENTS

The Board records its appreciation of the contributions from its retirees during the year 2010/2011. The retirees were



Mr. Lawson Reid, Fitter who joined the Corporation on August 28, 1974 as a General Worker. At retirement Mr. Reid has contributed 36 years of service to the NPC.



Mr. Benford Edwards, General Worker was a member of NPC staff from June 14, 1988 and served for 22 years.

FACES OF NPC AWARDEES 2010/2011



CHRISTMAS LUNCHEON AND AWARDS CEREMONY

The Corporation held its Annual Christmas party and awards ceremony on December 17, 2010 at the Atlantis Hotel, Tent Bay, St. Joseph. At the function the Corporation honoured two(2) retirees and twenty (20) employees for years of service. Of the latter, eleven (11) employees received long service awards in the 15, 20, and 25 years categories, and 9 employees in the 30 year category. Eleven (11) employees also received awards for perfect attendance. The Chairman of the Board delivered the feature address in which he lauded the employees for their continued dedication to the Corporation and their commitment to excellence.

The Corporation took the opportunity to reward three members of the Technical Division with Meritorious Service Awards for their tireless efforts to ensure the integrity of the natural gas service to its customers during the passage of Storm Tomas in October 2010. The Awardees were Mr. Anderson Jones, General Worker, Mr. Wayne Mason, Fitter and Mr. Roger Holder, Fitter.



*Cricket Match Staff Appreciation Day
October 2010*

EMPLOYEE APPRECIATION DAY

Employee Appreciation Week took place from October 2010. During the week the staff were treated to product sampling from various business partners, financial planning workshops and on the spot health checks with the complements of the Barbados Diabetic Association. The week culminated with a Fun Day at the MTW Grounds where the employees participated in teams games and athletic competitions.

NISE CUSTOMER SERVICE TRAINING WORKSHOP



Staff Training & Development

During the financial year April 2010 to March 2011 the Corporation continued on its drive to ensure that a maximum number of staff were exposed to training programmes. A company wide Customer Service Training Programme facilitated by the National Initiative for Service Excellence was initiated in December 2010. A total of 115 members of management and staff attended the training sessions. Training was provided in several functional areas including corporate governance, time management, natural gas pipe fitting and customer service.

APPENDIX I

Summary of Mains Laid April 1 2010 to March 31 2011

LOCATION	SIZE OF MAIN	DISTANCE
St. Michael		
Arthur Gap	1 1/4" H.P. P.E.	482'-10"
Country Road - Country Park Tower	1 1/4" H.P. P.E.	609'-6"
Eckstein Village	1 1/4" H.P. P.E.	582'-4"
Fields Gap, Black Rock	1 1/4" H.P. P.E.	348'-0"
Flint Hall (R)	1" Steel	10'-0"
Goodland - Seale Land	1 1/4" H.P. P.E.	602'-0"
Goodland - Weekes Land	1 1/4" H.P. P.E.	13'-8"
Goodland - Weekes Land	2" H.P. P.E.	923'-0"
Haggatt Hall - Roberts Rd (R)	3" H.P. P.E.	1401'-2"
Harbour Road - BICO	2" H.P. P.E.	299'-6"
Johnson Land	1 1/4" H.P. P.E.	375'-2"
Kellman Land	1 1/4" H.P. P.E.	889'-9"
Lodge Hill - Gap off	3" H.P. P.E.	437'-8"
Spring Garden	1 1/4" H.P. P.E.	303'-0"
Tweedside - Stuart Lodge	1 1/4" H.P. P.E.	553'-3"
Warrens (R)	3" H.P. P.E.	769'-1"
Warrens - Collins Ltd (R)	2" H.P. P.E.	287'-5"
Warrens (R)	2" H.P. Steel	160'-0"
Wavell Ave, Black Rock	1 1/4" H.P. P.E.	77'-8"
Christ Church		
Adams Castle, Vauxhall	2" H.P. P.E.	5748'-7"
Coral Ridge	4" H.P. P.E.	1303'-1"
Coverley Development	2" H.P. P.E.	4863'-1"
Maxwell Coast	1 1/4" H.P. P.E.	53'-8"
St. Philip		
Six Roads Development	1 1/4" H.P. P.E.	1058'-11"
Gaskin Road	1 1/4" H.P. P.E.	66'-0"
Gaskin Road	3" H.P. P.E.	1809'-7"

APPENDIX I

Summary of Mains Laid April 1 2010 to March 31 2011

LOCATION	SIZE OF MAIN	DISTANCE
St. James		
Gap next to Lashley Road	1 1/4" H.P. P.E.	339'-6"
Haynesville	2" H.P. P.E.	34'-8"
Holetown - 2nd Street	1 1/4" H.P. P.E.	42'-9"
Holetown (Limegrove) (R)	4" H.P. P.E.	387'-4"
Orange Hill - Lancaster	6" H.P. P.E.	1116'-0"
Orange Hill - Lancaster (R)	4" H.P. P.E.	269'-0"
Oxnards - Durants	4" H.P. P.E.	2782'-0"
Thorpes Area	1 1/4" H.P. P.E.	77'-8"
St. Thomas		
Bennetts (R)	2" H.P. Steel	140'-0"
Fire Hill (R)	2" H.P. Steel	225'-0"
Mangrove (R)	2" H.P. Steel	55'-0"
Warrens Terrace East (R)	2" H.P. Steel	90'-0"
Welches Terrace (R)	2" H.P. Steel	190'-0"
St. Peter		
Farm Road Area	1 1/4" H.P. P.E.	152'-1"
Farm Road	4" H.P. P.E.	1535'-1"
Farm Road	3" H.P. P.E.	4'-0"
St. George		
Boarded Hall	3" H.P. P.E.	1128'-2"
Monroe Village	2" H.P. P.E.	1414'-9"
Monroe Village	1 1/4" H.P. P.E.	169'-6"
Salters (R)	3" H.P. P.E.	445'-4"
Replacement (R)	0.84 mls / 1.35 km	4429'-4"
Distribution	5.72 mls / 9.21 km	30196'-5"
Total Mains Laid	6.56 mls / 10.56 km	34625'-9"

APPENDIX II

DISTRIBUTION OF INCOME FOR PERIOD 2001/02 TO 2010/11

Year	* Income from all sources		Operating Expenses						Interest Charges		Corporation Tax (Credit) Charge		Net Income (Deficit) Before Share Profit (Loss) Associated Co. (BNOCL)		Share Profit (Loss) Associated Co. (BNOCL)	Net Income (Deficit) For Year
	\$	%	Administration and Commercial	Purchase of Gas	Depreciation	Interest Charges	Corporation Tax (Credit) Charge	\$	%	\$	%	\$	%			
2011	17,975,843	100.00	8,915,103	49.59	2,096,013	11.66	609,100	3.39	2,954,583	16.44	(203,733)	(1.13)	11,041,102	13,791,952		
2010	15,117,565	100.00	9,007,523	59.58	2,164,693	14.32	741,512	4.90	0	0.00	1,724,585	11.41	0	1,724,585		
2009	14,683,807	100.00	7,994,446	54.44	2,079,465	14.16	959,290	6.53	0	0.00	(2,922,203)	(19.90)	0	(2,922,203)		
2008	15,201,146	100.00	6,971,535	45.86	2,207,017	14.52	1,189,878	7.83	0	0.00	(342,044)	(2.25)	(15,470,210)	(15,812,254)		
2007	13,812,714	100.00	7,319,844	52.99	2,103,773	15.23	1,508,245	10.92	119,164	0.86	(1,025,100)	(7.42)	452,434	(572,666)		
2006	13,624,868	100.00	6,740,587	49.47	2,048,198	15.03	1,328,482	9.75	11,133	0.08	(441,920)	(3.24)	(1,834,178)	(2,276,098)		
2005	11,819,606	100.00	7,324,686	61.97	1,935,552	16.38	1,011,236	8.56	(27,278)	(0.23)	(1,118,495)	(9.46)	(3,159,630)	(4,278,125)		
2004	10,510,741	100.00	7,598,492	72.29	1,739,523	16.55	900,681	8.57	191,231	1.82	(2,065,551)	(19.65)	445,170	(1,620,381)		
2003	11,286,582	100.00	6,730,900	59.64	2,608,841	23.11	625,762	5.54	181,850	1.61	(1,200,306)	(10.63)	(665,510)	(1,865,816)		
2002	11,392,624	100.00	6,958,304	61.08	2,615,724	22.96	735,267	6.45	1,250,677	10.98	(2,276,243)	(19.98)	4,653,660	2,377,417		

* Gross of discounts and allowances

APPENDIX III

ANALYSIS OF GAS SALES

	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02
No. of Active Customers (Mar-31)										
Residential	18,326	18,011	17,308	16,935	16,425	16,019	15,233	13,980	13,101	12,896
Commercial	719	700	675	678	635	654	616	570	570	565
Special Rate	3	2	3	4	4	3	2	2	2	2
	19,048	18,713	17,986	17,617	17,064	16,676	15,851	14,552	13,673	13,463
	M3	M3	M3	M3	M3	M3	M3	M3	M3	M3
Sales										
Residential	2,546,028	2,566,639	2,468,169	2,459,144	2,362,526	2,307,580	2,211,229	2,189,680	2,269,900	2,303,739
Commercial	7,667,976	7,490,879	6,973,948	6,691,579	6,001,132	5,421,619	5,026,672	4,947,588	5,194,163	5,339,009
Special Rate	741,498	1,943,587	1,923,660	2,765,386	3,027,221	3,964,680	3,614,252	1,043,602	2,768,284	4,110,085
	10,955,502	12,001,105	11,365,777	11,916,109	11,390,879	11,693,879	10,852,153	8,180,870	10,232,347	11,752,833
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Value of Gas Sold										
Residential	3,762,936	3,796,300	3,649,750	3,637,013	3,494,457	3,412,959	3,270,365	3,237,916	3,140,464	2,967,438
Commercial	9,200,363	8,966,375	8,366,942	8,031,329	7,225,248	6,539,633	6,073,461	5,970,275	6,266,581	6,418,861
Special Rate	754,239	1,660,927	1,766,783	2,309,722	2,130,615	2,408,632	1,577,752	400,990	1,021,168	1,261,029
	13,717,538	14,423,602	13,783,475	13,978,064	12,850,320	12,361,224	10,921,578	9,609,181	10,428,213	10,647,328
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Gross Revenue From Gas Sales										
Residential	4,430,437	4,432,445	4,268,277	4,238,132	4,078,560	3,978,401	3,799,296	3,723,310	3,608,172	3,426,219
Commercial	9,326,995	9,090,184	8,489,942	8,147,825	7,342,335	6,651,047	6,180,222	6,072,029	6,368,734	6,519,121
Special Rate	754,419	1,661,287	1,767,488	2,310,487	2,131,200	2,409,067	1,578,113	401,350	1,021,528	1,261,389
	14,511,851	15,183,916	14,525,707	14,696,444	13,552,095	13,038,515	11,557,631	10,196,689	10,998,434	11,206,729
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rates Realised Per Cubic Meter										
Residential	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.38	1.29
Commercial	1.20	1.20	1.20	1.20	1.20	1.21	1.21	1.21	1.21	1.20
Special Rate	1.02	0.85	0.92	0.84	0.70	0.61	0.44	0.38	0.37	0.31

NATIONAL PETROLEUM CORPORATION

Financial Statements

March 31, 2011

(Expressed in Barbados Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Government of Barbados

We have audited the accompanying financial statements of **National Petroleum Corporation**, which comprise the balance sheet as of March 31, 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **National Petroleum Corporation** as of March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRW

March 6, 2014
Bridgetown, Barbados

National Petroleum Corporation

Balance Sheet

As of March 31, 2011

(expressed in Barbados dollars)

	2011 \$	2010 \$
Assets		
Current assets		
Cash on hand and at bank (note 4)	580,814	980,996
Short term deposit (note 5)	560,494	516,750
Accounts receivable (note 6)	2,179,759	2,530,133
Corporation tax recoverable	13,458	13,458
Inventories (note 7)	1,704,086	1,304,965
Prepaid expenses	98,512	32,767
	<u>5,137,123</u>	<u>5,379,069</u>
Property, plant and equipment (note 8)	33,639,002	32,883,506
Investment in associated company (note 9)	11,041,102	–
Deferred tax asset (note 10)	2,954,583	–
Deferred expenses (note 11)	70,500	79,500
	<u>52,842,310</u>	<u>38,342,075</u>
Total assets		
Liabilities and equity		
Current liabilities		
Bank overdraft (note 4)	32,869	–
Accounts payable and accrued liabilities (note 12)	3,453,951	2,920,689
Due to associated company (note 13)	9,740,867	9,173,298
Current portion of borrowings (note 14)	1,487,484	1,748,107
Progress payments received (note 15)	86,827	55,960
	<u>14,801,998</u>	<u>13,898,054</u>
Borrowings (note 14)	8,300,000	9,787,484
Deferred lease premium (note 16)	600,303	630,303
Deferred costs (note 17)	1,943,637	1,962,882
Capital grants (note 18)	1,533,880	–
Pension plan liability (note 21)	4,490,528	4,683,340
	<u>31,670,346</u>	<u>30,962,063</u>
Total liabilities	31,670,346	30,962,063
Equity		
Capital contributed by Government of Barbados (note 19)	10,407,157	10,407,157
Retained earnings/(accumulated deficit)	10,764,807	(3,027,145)
	<u>21,171,964</u>	<u>7,380,012</u>
Total liabilities and equity	52,842,310	38,342,075

Approved by the Board of Directors on February 27, 2014



Director



Director

National Petroleum Corporation

Statement of Changes in Equity

For the year ended March 31, 2011

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Retained earnings/ (accumulated deficit) \$	Total \$
Balance at March 31, 2009	10,407,157	(4,751,730)	5,655,427
Net income and total comprehensive income for the year	–	1,724,585	1,724,585
Balance at March 31, 2010	10,407,157	(3,027,145)	7,380,012
Net income and total comprehensive income for the year	–	13,791,952	13,791,952
Balance at March 31, 2011	10,407,157	10,764,807	21,171,964

National Petroleum Corporation

Statement of Comprehensive Income

For the year ended March 31, 2011

(expressed in Barbados dollars)

	2011 \$	2010 \$
Sales		
Natural gas	13,967,083	14,659,376
Operating expenses		
Production, transmission and distribution (note 20)	5,088,217	4,031,854
General, administrative and commercial	7,431,663	6,454,921
Depreciation (note 8)	2,096,013	2,164,693
	14,615,893	12,651,468
	(648,810)	2,007,908
Subsidy from Government (note 18)	466,120	–
Other income (note 22)	588,057	458,189
Operating profit	405,367	2,466,097
Interest and other loan expenses	(609,100)	(741,512)
Net (loss)/income for the year before share of income of associated company	(203,733)	1,724,585
Share of income of associated company (note 9)	11,041,102	–
Income before taxation	10,837,369	1,724,585
Taxation (note 10)	2,954,583	–
Net income and total comprehensive income for the year	13,791,952	1,724,585

National Petroleum Corporation

Statement of Cash Flows

March 31, 2011

(expressed in Barbados dollars)

	2011	2010
	\$	\$
Cash flows from operating activities		
Net income and total comprehensive income for the year	10,837,369	1,724,585
Adjustments for:		
Depreciation	2,096,013	2,164,693
Gain on disposal of property, plant and equipment	(17,318)	–
Amortisation of deferred expenses	9,000	9,000
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of deferred credit	(111,384)	(111,384)
Interest and other loan expenses	609,100	741,512
Interest income	(21,187)	(39,290)
Pension expense	1,089,431	1,013,317
Project income	(151,005)	(19,763)
Share of income of associated company	(11,041,102)	–
Operating profit before working capital changes	3,268,917	5,452,670
Increase in short term deposit	(43,744)	(16,750)
Decrease in accounts receivable	350,374	238,162
(Increase)/decrease in inventories	(399,121)	530,865
Increase in prepaid expenses	(65,745)	(4,522)
Increase in accounts payable and accrued liabilities	533,262	466,216
Increase/(decrease) in amount due to associated company	567,569	(1,898,859)
Increase in progress payments received	274,011	19,763
Cash generated from operations	4,485,523	4,787,545
Interest and other loan expenses paid	(609,100)	(741,512)
Pension contributions paid	(1,282,243)	(844,983)
Net cash from operating activities	2,594,180	3,201,050
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,851,509)	(1,765,511)
Proceeds from sale of property, plant and equipment	17,318	–
Interest income received	21,187	39,290
Net cash used in investing activities	(2,813,004)	(1,726,221)
Cash flows used in financing activities		
Repayments of borrowings	(1,748,107)	(1,714,198)
Capital grants received	1,533,880	–
Net cash used financing activities	(214,227)	(1,714,198)
Decrease in cash and cash equivalents	(433,051)	(239,369)
Cash and cash equivalents - beginning of year	980,996	1,220,365
Cash and cash equivalents - end of year (note 4)	547,945	980,996

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(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), 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.

a) *New and amended standards adopted by the Corporation*

The Corporation did not adopt any new or amended standards for the financial year.

b) *New standards, amendments and interpretations mandatory for the first time for the 2011 financial year but not currently relevant to the Corporation*

IAS 1 (revised)	Presentation of financial instruments
IFRS 7 (amendments)	Financial instruments - Disclosures
IAS 23	Borrowing costs

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

c) *New standards, amendments and interpretations issued but not yet effective and not early adopted*

Management is in the process of reviewing the new standards, amendments and interpretations to existing standards that are not yet effective to determine whether the following may be relevant to the Corporation's operations and assess their impact on the financial statements. The Corporation has not early adopted the new standards, amendments and interpretations.

IAS 24 (revised)	Related Party Disclosures (effective on or after January 1, 2011).
IAS 32 (amendment)	Financial Instruments: Recognition and Measurement.
IFRS 9	Financial Instruments (effective on or after January 1, 2013).
IFRIC 14 (amendment)	Prepayments of a minimum funding requirement (effective January 1, 2011).

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.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

d) Property, plant and equipment ...continued

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

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

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

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

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

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 comprehensive income.

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.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

g) Grants and deferred costs

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

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

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

h) Taxation

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

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

i) Provisions

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

j) Borrowings

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

k) Pension plan valuation

The Corporation operates a non-contributory defined benefit pension plan. (Note 21).

Pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using the interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised at the rate of 20% of the balance brought forward.

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.

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.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

4 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2011 \$	2010 \$
Cash on hand and at bank	580,814	980,996
Bank overdraft	(32,869)	—
	<u>547,945</u>	<u>980,996</u>

5 Short term deposit

The interest rate on the short term deposit at year end was 2.95% (2010 - 2.95%)

The original maturity of the deposit is 365 days.

6 Accounts receivable

	2011 \$	2010 \$
Trade receivables:		
Customers	2,607,671	2,253,774
Servicing	1,627,188	1,696,810
	<u>4,234,859</u>	<u>3,950,584</u>
Less: Provision for impairment of receivables	(2,460,296)	(2,122,071)
Trade receivables - net	1,774,563	1,828,513
Other receivables	405,196	701,620
	<u>2,179,759</u>	<u>2,530,133</u>

As at year end, trade receivables of \$1,084,594 (2010 - \$1,186,231) were fully performing.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

6 Accounts receivable ...continued

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$689,969 (2010 - \$642,282) were past due but not impaired. These relate to customers for whom there is no history of default. The ageing analysis of these receivables is as follows:

	2011 \$	2010 \$
30 to 60 days	537,600	238,117
Over 90 days	152,369	404,165
	<u>689,969</u>	<u>642,282</u>

As at year end, trade receivables of \$2,460,296 (2010 - \$2,122,071) were impaired and provided for. The aging of these trade receivables is as follows:

	2011 \$	2010 \$
Over 90 days	<u>2,460,296</u>	2,122,071

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

	2011 \$	2010 \$
Balance - beginning of year	2,122,071	2,105,713
Impairment charge	338,225	60,334
Reversal of provision no longer required	-	(43,976)
	<u>2,460,296</u>	<u>2,122,071</u>

Direct write offs to the statement of comprehensive income in respect of impaired receivables were \$4,172 (2010 - \$Nil).

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

The carrying value of receivables is considered to approximate fair value because of their 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 those receivables.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

7 Inventories

	2011 \$	2010 \$
Materials and supplies	1,711,588	1,840,740
Provision for obsolescence	(230,199)	(570,885)
	<hr/>	<hr/>
Gas	1,481,389	1,269,855
Goods in transit	9,468	9,468
	213,229	25,642
	<hr/>	<hr/>
	1,704,086	1,304,965
	<hr/>	<hr/>

The movement in the provision for obsolescence is as follows:

	2011 \$	2010 \$
Balance - beginning of year	570,885	258,277
Obsolescence charge	-	312,608
Reversal of provision no longer required	(340,686)	-
	<hr/>	<hr/>
	230,199	570,885
	<hr/>	<hr/>

The obsolescence charge is included in production, transmission and distribution expenses in the statement of comprehensive income.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

8 Property, plant and equipment

	Land and buildings \$	Gas wells, pipelines, production and transmission equipment \$	Distribution, plant and equipment \$	Moveable equipment \$	Total \$
At March 31, 2009					
Cost or valuation	5,200,353	8,192,441	61,845,839	5,778,199	81,016,832
Accumulated depreciation	(4,021,468)	(7,717,084)	(31,112,543)	(4,883,049)	(47,734,144)
Net book amount	1,178,885	475,357	30,733,296	895,150	33,282,688
Year ended March 31, 2010					
Opening net book amount	1,178,885	475,357	30,733,296	895,150	33,282,688
Additions	41,141	908	1,461,611	261,851	1,765,511
Depreciation charge	(168,551)	(36,947)	(1,542,802)	(416,393)	(2,164,693)
Closing net book amount	1,051,475	439,318	30,652,105	740,608	32,883,506
At March 31, 2010					
Cost or valuation	5,241,494	8,193,349	63,270,868	5,981,087	82,686,798
Accumulated depreciation	(4,190,019)	(7,754,031)	(32,618,763)	(5,240,479)	(49,803,292)
Net book amount	1,051,475	439,318	30,652,105	740,608	32,883,506
Year ended March 31, 2011					
Opening net book amount	1,051,475	439,318	30,652,105	740,608	32,883,506
Additions	139,800	39,710	2,415,081	256,918	2,851,509
Disposals	–	–	(34,283)	(124,022)	(158,305)
Depreciation on disposals	–	–	34,283	124,022	158,305
Depreciation charge	(172,838)	(37,585)	(1,586,147)	(299,443)	(2,096,013)
Closing net book amount	1,018,437	441,443	31,481,039	698,083	33,639,002
At March 31, 2011					
Cost or valuation	5,381,294	8,233,059	65,651,666	6,113,984	85,380,003
Accumulated depreciation	(4,362,857)	(7,791,616)	(34,170,627)	(5,415,901)	(51,741,001)
Net book amount	1,018,437	441,443	31,481,039	698,083	33,639,002

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

8 Property, plant and equipment ...continued

- a) Property, plant and equipment other than land at Wildey are stated at historical cost.
- b) The land at Wildey, which was granted to the Corporation by the Government of Barbados in 1978, is stated at its estimated value at that time of \$218,000. (Note 19).

9 Investment in associated company

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

In 2008, the Corporation's share of the losses recorded by the associated company exceeded the Corporation's interest in the associated company and the investment in the associated company was fully written off. In the current year the Corporation has resumed recognising its share of BNOCL's profits since these have now exceeded its share of BNOCL's losses which were not previously recognised.

	2011 \$	2010 \$
Balance - beginning of year	(767,424)	(13,457,908)
Share of income for the year	<u>11,808,526</u>	<u>12,690,484</u>
Balance - end of year	<u>11,041,102</u>	<u>(767,424)</u>

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 \$
2011	<u>86,909,305</u>	<u>75,868,203</u>	<u>155,298,901</u>	<u>11,808,526</u>
2010	<u>74,824,852</u>	<u>75,592,276</u>	<u>136,113,212</u>	<u>12,690,484</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

10 Deferred tax asset

	2011 \$	2010 \$
Deferred tax asset	<u>2,954,583</u>	—

The previously unrecognised deferred tax asset has been recognised this year as it was deemed that taxable income would be available in the future against which the deferred tax asset could be utilised.

The deferred tax asset consists of the following components:

	2011 \$	2010 \$
Accelerated tax depreciation	(4,431,243)	(6,289,016)
Unutilised tax losses (note 24)	11,759,046	12,970,678
Pension plan liability	<u>4,490,528</u>	<u>4,683,340</u>
	<u>11,818,331</u>	<u>11,365,002</u>
Deferred tax asset at corporation tax rate of 25% (2010 - 25%)	<u>2,954,583</u>	2,841,251

The expiry dates of the tax losses are disclosed in Note 24. The other temporary differences have no expiry dates.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

11 Deferred expenses

\$

At March 31, 2009

Cost	108,000
Accumulated amortisation	<u>(19,500)</u>
Net book amount	<u>88,500</u>

Year ended March 31, 2010

Opening net balance	88,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>79,500</u>

At March 31, 2010

Cost	108,000
Accumulated amortisation	<u>(28,500)</u>
Net book amount	<u>79,500</u>

Year ended March 31, 2011

Opening net balance	79,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>70,500</u>

At March 31, 2011

Cost	108,000
Accumulated amortisation	<u>(37,500)</u>
Net book amount	<u>70,500</u>

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

12 Accounts payable and accrued liabilities

	2011 \$	2010 \$
Customer deposits	1,424,226	1,342,310
Trade payables	663,938	539,705
Payroll deductions	364	386
Accrued expenses	1,365,423	1,038,288
	<u>3,453,951</u>	<u>2,920,689</u>

13 Due to associated company

The balance due to associated company arose in the normal course of business. It is interest free, unsecured and carries no fixed terms of repayment. Gas purchases from the associated company are disclosed in note 25.

14 Borrowings

	2011 \$	2010 \$
i) National Insurance Scheme \$2.5M loan	287,484	835,591
ii) Bank of Nova Scotia \$14.4M loan	9,500,000	10,700,000
	<u>9,787,484</u>	<u>11,535,591</u>
Current portion	(1,487,484)	(1,748,107)
	<u>8,300,000</u>	<u>9,787,484</u>

	2011 \$	2010 \$
i) National Insurance Scheme \$2.5M loan - total balance	287,484	835,591
Less instalments due within twelve months and shown under current liabilities	287,484	548,107
	<u>–</u>	<u>287,484</u>

The loan is repayable in semi-annual instalments of blended principal and interest of \$296,828. The loan bears interest at 6.5% (2010 - 6.5%) per annum.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

14 Borrowings ...continued

	2011 \$	2010 \$
ii) Bank of Nova Scotia \$14.4M loan - total balance	9,500,000	10,700,000
Less instalments due within twelve months and shown under current liabilities	<u>1,200,000</u>	1,200,000
Long-term portion	<u>8,300,000</u>	9,500,000

The loan is repayable in monthly instalments of \$100,000 and bears interest at 5.5% (2010 - 5.75%) per annum. The facility was renewed for a further five year term until 2017 subsequent to year end.

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

15 Progress payments received

	2011 \$	2010 \$
Balance - beginning of year	55,960	55,960
Additions	274,011	19,763
Taken to income	(151,005)	(19,763)
Transfers to deferred credit (note 16)	<u>(92,139)</u>	-
Balance - end of year	<u>86,827</u>	55,960

During the year ended March 31, 2011, \$55,960 was received from the Grantley Adams International Airport in respect of work to be done at the Airport. To date no work has been performed on the project.

During the year ended March 31, 2011, the following amounts were received in respect of work to be done.

	\$
Adams Castle	70,861
Country Towers	16,497
The Villages at Coverley	<u>186,653</u>
	<u>274,011</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

16 Deferred lease premium

The Corporation has leased part of its premises at Wildey to the Barbados National Bank 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, 2009

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(840,000)</u>
Net book amount	<u>660,303</u>

Year ended March 31, 2010

Opening net balance	660,303
Amortisation (note 21)	<u>(30,000)</u>
Closing net balance	<u>630,303</u>

At March 31, 2010

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(870,000)</u>
Net book amount	<u>630,303</u>

Year ended March 31, 2011

Opening net balance	630,303
Amortisation (note 21)	<u>(30,000)</u>
Closing net balance	<u>600,303</u>

At March 31, 2011

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(900,000)</u>
Net book amount	<u>600,303</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

17 Deferred costs

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 a 40 year period.

The cost of mains capitalised in connection with the Bridgetown Roads and Safety Improvement Project, which was funded by the Ministry of Public Works and Transport, the costs of extensions in connection with the Fort George Stage II project which was funded by Sagicor Life Inc., the costs to relocate gas mains and installations from St. Lawrence Gap to Dover playing field, which was financed by the Barbados Tourism Investment Inc., the costs of work done at Six Roads which was financed by Eastern Land Development and the costs of work done at Dodds, St. Philip which was funded by the Ministry of Home Affairs have been deferred. These amounts are being amortised over a 40 year period.

The costs of installation of gas mains and connections at Emerald Park which was funded by Eastern Land Development and the costs of extensions in relation to Fort George Heights Stage IV which was funded by Sagicor Life Inc. have been deferred. These amounts are being amortised over a 40 year period.

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 and are being amortised over a 40 year period.

	2011	2010
	\$	\$
Balance - beginning of year	1,962,882	2,074,266
Additions (note 14)	92,139	-
Amortisation (note 21)	(111,384)	(111,384)
Balance - end of year	<u>1,943,637</u>	<u>1,962,882</u>

18 Grants

During the year, the Corporation received \$1,533,880 from the Government of Barbados to execute capital works. The grant will be amortised over the expected useful life of the related assets.

During the year, the Corporation also received \$466,120 from the Government of Barbados to fund the normal operations of the Corporation.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

19 Capital contributed by Government of Barbados

This is comprised of:

	2011 \$	2010 \$
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(b))	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>

20 Production, transmission and distribution costs

	2011 \$	2010 \$
Production	3,605,004	1,479,252
Transmission	28,577	10,664
Distribution	1,773,142	2,878,249
	<u>5,406,723</u>	4,368,165
Less:		
Reimbursements through jobbing	(109,224)	(143,446)
Installation and re-connection fees	(154,508)	(125,942)
In house services	(54,774)	(66,923)
	<u>5,088,217</u>	<u>4,031,854</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

21 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 33 $\frac{1}{3}$ % 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, 2009 and an interim valuation was performed as of March 31, 2011. The actuary recommended a funding rate of 27.10% of the salaries and wages of those under the plan (8.87% to cover current service costs and 18.23% to cover the pension deficit).

The amounts recognised in the balance sheet for the pension plan liability are as follows:

	2011 \$	2010 \$
Present value of funded obligations	14,278,553	14,811,987
Fair value of plan assets	<u>(9,868,066)</u>	<u>(8,742,807)</u>
	4,410,487	6,069,180
Unrecognised actuarial gains/(losses)	<u>80,041</u>	<u>(1,385,840)</u>
Pension plan liability	<u>4,490,528</u>	<u>4,683,340</u>

Changes in the present value of funded obligations are as follows:

	2011 \$	2010 \$
Balance - beginning of year	14,811,987	13,619,214
Current service cost	352,812	310,900
Past service cost	21,792	-
Interest cost	1,027,164	980,488
Benefits paid	(629,242)	(501,371)
Actuarial (gain)/loss on obligation	<u>(1,305,960)</u>	<u>402,756</u>
Balance - end of year	<u>14,278,553</u>	<u>14,811,987</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

21 Pension plan ...continued

Changes in the fair value of plan assets are as follows:

	2011 \$	2010 \$
Balance - beginning of year	8,742,807	7,878,280
Expected return on plan assets	589,505	523,256
Actuarial loss on plan assets	(117,247)	(2,341)
Contributions paid	1,282,243	844,983
Benefits paid	(629,242)	(501,371)
	<hr/>	<hr/>
Balance - end of year	9,868,066	8,742,807

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

	2011 \$	2010 \$
Current service cost	352,812	310,900
Interest cost	1,027,164	980,488
Expected return on plan assets	(589,505)	(523,256)
Net actuarial loss recognised in the year	277,168	245,185
Past service cost	21,792	-
	<hr/>	<hr/>
	1,089,431	1,013,317
	<hr/>	<hr/>
Actual return on plan assets	472,258	520,911

The movement in the pension plan liability is as follows:

	2011 \$	2010 \$
Balance - beginning of year	4,683,340	4,515,006
Pension expense for the year (note 23)	1,089,431	1,013,317
Contributions paid	(1,282,243)	(844,983)
	<hr/>	<hr/>
Pension plan liability	4,490,528	4,683,340

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

21 Pension plan ...continued

Principal actuarial assumptions used for accounting purposes were:

	2011	2010
Discount rate	7.75%	7.00%
Expected return on plan assets during the year	6.5%	6.5%
Future salary increases	5%	5%
Future pension increases	0%	0%
Proportion of employees opting for early retirement	10%	10%
Future changes in National Insurance ceiling	3.5%	3.5%
Mortality	GAM 94	GAM 94

Expected contributions for the year ending March 31, 2012 are \$871,583.

	2011 \$	2010 \$	2009 \$	2008 \$
Present value of funded obligations	14,278,553	14,811,987	13,619,214	12,116,757
Fair value of plan assets	(9,868,066)	(8,742,807)	(7,878,280)	(7,465,740)
	4,410,487	6,069,180	5,740,934	4,651,017
Unrecognised actuarial gains/(losses)	80,041	(1,385,840)	(1,225,928)	(45,856)
Surplus	4,490,528	4,683,340	4,515,006	4,605,161
Experience adjustments on plan liabilities	1,049,359	5,783	(405,120)	54,508
Experience adjustments on plan assets	(117,247)	(2,341)	(50,860)	(61,284)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

22 Other income

	2011 \$	2010 \$
Interest	21,187	39,290
Rental income	224,781	227,555
Miscellaneous income	49,700	30,197
	<hr/>	<hr/>
Project income	295,668	297,042
	151,005	19,763
	<hr/>	<hr/>
Amortisation of lease premium (note 16)	446,673	316,805
Amortisation of deferred credit (note 17)	30,000	30,000
	111,384	111,384
	<hr/>	<hr/>
	588,057	458,189
	<hr/>	<hr/>

23 Taxation

The tax on the Corporation's net income and total comprehensive income for the year differs from the theoretical amount that would arise using the basic tax rate of Barbados as follows:

	2011 \$	2010 \$
Net income and total comprehensive income for the year	10,837,369	1,724,585
	<hr/>	<hr/>
Tax calculated at 25% (2010 - 25%)	2,709,342	431,146
Tax effect of the following:		
Expenses not deductible for tax purposes	59,560	46,776
Commercial building allowance claimed	(40,788)	(40,788)
Investment allowance claimed	(85,260)	(86,218)
Movement in deferred tax asset not recognised	-	(261,426)
Deferred tax asset recognised	(2,841,251)	-
Under/(over) provision of previous year's tax	4,090	(89,490)
Tax effect of share of income of associated company	(2,760,276)	-
	<hr/>	<hr/>
	(2,954,583)	-
	<hr/>	<hr/>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

24 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 \$	Utilised \$	Balance c/f \$	Expiry date
2004	2,990,913	(1,211,632)	1,779,281	2013
2005	2,585,230	—	2,585,230	2014
2006	1,696,592	—	1,696,592	2015
2007	2,371,892	—	2,371,892	2016
2008	1,915,347	—	1,915,347	2017
2009	1,410,704	—	1,410,704	2018
	<u>12,970,678</u>	<u>(1,211,632)</u>	<u>11,759,046</u>	

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 Commissioner of Inland Revenue.

25 Staff costs

Staff costs comprise the following:

	2011 \$	2010 \$
Salaries, wages and National Insurance	4,917,247	4,750,903
Pension expense (note 21)	<u>1,089,431</u>	<u>1,013,317</u>
	<u>6,006,678</u>	<u>5,764,220</u>
The number of persons employed at year end was as follows	<u>118</u>	<u>114</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

26 Expenses by nature

	2011	2010
	\$	\$
Depreciation	2,096,013	2,164,693
Gas purchased (note 28)	3,604,777	1,479,252
Impairment of receivables	342,397	16,358
Insurance	439,894	441,023
Internal in-house services expenses (net)	38,518	87,894
Land tax	74,848	74,848
Legal fees	10,300	6,400
Maintenance	601,924	649,316
Pensions expense	1,089,431	1,013,317
Gratuities	67,251	64,342
Rent	300	300
Salaries, wages and National Insurance	4,917,247	4,750,903
Special services	52,000	56,135
Supplies and other expenses	1,172,452	1,783,623
Travel and utilities	332,555	299,072
Uniforms and safety equipment	39,718	33,380
	<u>14,879,625</u>	<u>12,920,856</u>
Reimbursements through jobbing	(109,224)	(143,446)
Installation and re-connection fees	(154,508)	(125,942)
	<u>14,615,893</u>	<u>12,651,468</u>
Total operating expenses	<u>14,615,893</u>	<u>12,651,468</u>

27 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2011/12 of \$2,736,941 (2010/11 - \$4,131,060). None of this expenditure had been contracted for at that date.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

28 Related party transactions

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

	2011	2010
	\$	\$
Purchase of gas	3,604,777	5,475,693
Effect of retroactive rate adjustment	—	(3,996,441)
	<u>3,604,777</u>	<u>1,479,252</u>

On May 19, 2011 the Government of Barbados approved a retroactive rate of \$7.50 a cubic foot for the purchase of natural gas from the related company Barbados National Oilfield Services Company Limited for the three year period effective June 1, 2008 to May 31, 2011. As a result, natural gas purchases were reduced by \$3,996,441.

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

	2011	2010
	\$	\$
a) Salaries and directors' fees	<u>807,089</u>	<u>774,984</u>
b) Car loans		
Balance - beginning of year	130,705	126,635
New loans issued	—	91,850
Loan repayments received	<u>(26,597)</u>	<u>(87,780)</u>
Balance - end of year	<u>104,108</u>	<u>130,705</u>

No provision was required in 2011 or 2010 for the car loans made to key management.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

29 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 do 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 sole interest bearing asset is its short term deposit.

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

The Corporation's exposure to interest rates and the terms of borrowings are disclosed in notes 5 and 14.

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

	2011	2010
	\$	\$
Fixed rate borrowings	287,484	835,591
Variable rate borrowings	9,500,000	10,700,000
	<u>9,787,484</u>	<u>11,535,591</u>

At year end, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net income and total comprehensive income for the year would have been \$95,000 (2010 - \$107,000) lower or higher.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

29 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:

	2011		2010	
	\$	%	\$	%
Cash on hand and at bank	580,814	17	980,996	24
Short term deposit	560,494	17	516,750	13
Accounts receivable	2,179,759	66	2,530,133	63
	3,321,067	100	4,027,879	100

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

29 Financial risk management ...continued

e) Liquidity risk

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

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

	Less than 1 year \$	Between 1 & 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
2011					
Assets					
Cash on hand and at bank	580,814	–	–	–	580,814
Short term deposit	560,494	–	–	–	560,494
Accounts receivable	2,179,759	–	–	–	2,179,759
	<u>3,321,067</u>	–	–	–	<u>3,321,067</u>
Liabilities					
Bank overdraft	32,869	–	–	–	32,869
Accounts payable	2,088,164	–	–	–	2,088,164
Due to associated company	9,740,867	–	–	–	9,740,867
Borrowings	2,123,328	1,742,500	7,558,500	–	11,424,328
	<u>13,985,228</u>	<u>1,742,500</u>	<u>7,558,500</u>	–	<u>23,286,228</u>
Liquidity gap	<u>(10,664,161)</u>	<u>(1,742,500)</u>	<u>(7,558,500)</u>	–	<u>(19,965,161)</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2011

(expressed in Barbados dollars)

29 Financial risk management ...continued

c) Liquidity risk ...continued

	Less than 1 year \$	Between 1 & 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
2010					
Assets					
Cash on hand and at bank	980,996	–	–	–	980,996
Short term deposit	516,750	–	–	–	516,750
Accounts receivable	2,530,133	–	–	–	2,530,133
	<u>4,027,879</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,027,879</u>
Liabilities					
Accounts payable	1,882,015	–	–	–	1,882,015
Due to associated company	9,173,298	–	–	–	9,173,298
Borrowings	2,504,155	2,123,327	4,601,000	4,700,000	13,928,482
	<u>13,559,468</u>	<u>2,123,327</u>	<u>4,601,000</u>	<u>4,700,000</u>	<u>24,983,795</u>
Liquidity gap	<u>(9,531,589)</u>	<u>(2,123,327)</u>	<u>(4,601,000)</u>	<u>(4,700,000)</u>	<u>(20,955,916)</u>

Working capital deficiency

As of year end the Corporation's current liabilities on the balance sheet exceed its current assets by \$9,664,875 (2010 - \$8,518,985). Included in current liabilities are amounts due to associated company of \$9,740,867 (2010 - \$9,173,298).

d) Fair values

Fair value amounts represents estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The fair value of the Corporation's cash and cash equivalents, accounts receivable and accounts payable are not considered to be materially different from their carrying values, due to the short term nature of these items.

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

NOTES

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