NPC

NATIONAL PETROLEUM CORPORATION

Natural Gas

# ANNUAL REPORT

# 2017

NATIONAL PETROLEUM CORPORATION

# NATIONAL PETROLEUM CORPORATION

## ANNUAL REPORT 2017

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NPC
NATIONAL
PETROLEUM
CORPORATION

**National Petroleum Corporation**
Wildey, St. Michael, BB 11000
P.O. Box 175, Bridgetown
Barbados, West Indies
Tel: (246) 430 4000. Fax: (246) 426 4326
Email: bimgas@caribsurf.com

Natural Gas

NPC

September 20th, 2019

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 thirty fifth Annual Report and Audited Financial Statements of the Corporation for the financial year ended March 31, 2017.

We note that the Auditor has forwarded to you on September 5th, 2019, 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.

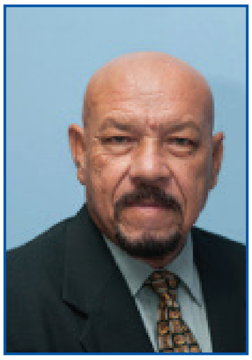
**Excellence:**

To strive for excellence in all that we do.

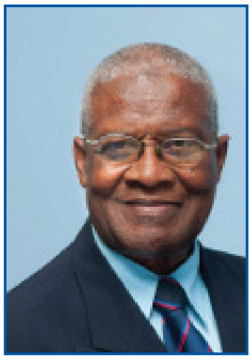
**Teamwork:**

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



**Mr. Noel Greenidge**
Chairman



**Mr. Ken Linton**
Deputy Chairman

**Mr. Mark Parris**
Entrepreneur

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

**Ms. Faye Prescod**
Public Officer
Ministry of Finance

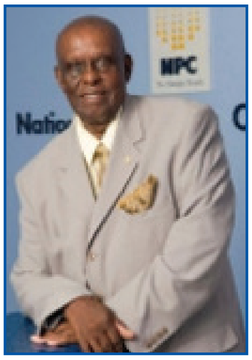
**Mrs. Juliet Downes-Wilson**
Consultant

**Mr. Algernon Atherley**
Former Banker

**Ms. Doreen Johnson**
Attorney-at-law

**Ms. Nancy Solomon**
Corporate Executive
Barbados Workers' Union

**Ms. Francine Blackman**
Deputy Permanent Secretary(ag)
Division of Energy & Telecommunications



**Mr. Hodson Carrington**
Retired
Public Servant

**Ms. Laura Rudder**
Secretary to the Board of Directors

**Legal Counsel**

Mr. Edmund King, QC
Mr. Michael Yearwood

**Auditor**

PricewaterhouseCoopers SRL

**Bankers**

Republic Bank (Barbados) Ltd
First Caribbean International (Barbados) Limited
Scotiabank Barbados

## Committees of the Board of Directors

**Finance Committee**

Mr. Noel Greenidge – Chairman
Mr. Ken Linton - Deputy Chairman
Mr. Mark Parris
Representative of the Permanent Secretary, Finance
Representative of the Division of Energy & Telecommunications

**Establishments Committee**

Mr. Noel Greenidge – Chairman
Mr. Ken Linton - Deputy Chairman
Mrs. Juliet Downes-Wilson
Representative of the Barbados Workers Union
Representative of the Division of Energy & Telecommunications

**Technical Committee**

Mr. Noel Greenidge – Chairman
Mr. Ken Linton
Mr. Winton Gibbs

## Principal Officers

**Mr. James St. Elmo Wallace Browne**, General Manager
**Mr. Birchmore DeCourcey Scantlebury**, Manager – Finance
**Ms. Mechelle Maria Smith,** Manager – Human Resources & Administration
**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

## Senior Officers

### Technical Operations

**Mr. Jamal Squires,** Petroleum Engineer
**Mr. Michael D. Bascombe,** Superintendent (Ag)
**Mr. Dave Downes,** Foreman (Ag)
**Mr. Michael J. Bascombe,** Foreman (Ag)
**Mr. Charles Price,** Supervisor Drawings & Records

### Human Resources & Administration

**Mr. Basil Smart,** Administrative Officer
**Ms. Francine Forde,** Human Resources Officer

### Finance & Accounting

**Mr. Ian Bradshaw,** Accountant
**Ms. Karen Pilgrim,** Assistant Accountant Costs & Budgets
**Ms. Paula Gittens,** Customer Services Officer
**Ms. Margo Jordan,** Meter Reading Supervisor (Ag)
**Mr. Euclid Forde,** Storekeeper

### Executive Office

**Mr. Noel King,** Information Technology Officer (Ag)

# BUSINESS SUMMARY

Over the fiscal year, the National Petroleum Corporation (NPC) continued to meet the local demand for natural gas, due in part to the success of the importation of Liquefied Natural Gas (LNG) through its associated company, the Barbados National Oil Company Limited (BNOCL). This arrangement which was negotiated in the previous financial period was initiated to supplement the production of indigenous natural gas which has been declining in recent years. While consumers were the greatest beneficiary of this situation, there was a significant negative impact on the Corporation's cash flow as the cost of this product was significantly higher than the cost of the locally supplied natural gas.

Subsequently, there was dialogue between the Corporation and the Division of Energy and Telecommunications throughout the year, as NPC pursued a natural gas rate increase. Natural gas rates have been fixed since the last price increase in 1994, whilst the NPC's operational costs have increased significantly in the intervening period.

During the period, the Corporation successfully negotiated a US$34million loan from the Inter-American Development Bank (IDB) for the "Deployment of Cleaner Fuels and Renewable Energies in Barbados". The main objective of this loan was to finance NPC's strategic plans to pursue alternative energy options and to support those infrastructural and human resources changes required to achieve this objective. Therefore, simultaneously in December, NPC created the Project Execution Unit which was tasked with executing and overseeing the myriad of projects that would be facilitated by the loan over the five-year period.

The four components of this project are

| | |
|---|---|
| Component 1: | Institutional Strengthening and Capacity Building which included the facilitation of the amalgamation of NPC and BNOCL, implementation of a document management system and training. |
| Component 2: | System Upgrade that covered areas such as infrastructural repairs, meter upgrades and modernisation of its fleet. |
| Component 3: | Energy Security which sought to support the LNG importation project and secure the systems to be utilized within this project. |
| Component 4: | Sustainable Energy to allow the Corporation to move towards alternative energy sources, such as photovoltaics, windfarms and biofuels. |

The various components in the abovementioned loan illustrated the various strategies to be employed to improve the operations at the Corporation and to further enhance the quality of the provision of services afforded to its customers. The Board of Directors under the directions of the Cabinet of Barbados proceeded with the amalgamation process in an effort to gain economies of scale with the BNOCL. This effort to amalgamate the NPC and BNOCL progressed, although at a protracted rate, over the period.

As an initial step towards this integration, the Information Technology Department commenced the integration of the various systems at both NPC and BNOCL which was integral to the process, including hosting of NPC's email and internet accounts within BNOCL's system. Consequently, some strides were made in this area, as well as in the creation of a centralized environment to deal with the diverse aspects including server utilization and virtualization that would achieve this goal. There was also limited advancement in the implementation of the Kronos and Time and Attendance systems at the Corporation.

In addition, the KPMG consultants hired to manage the Change Management process, pursued work on the respective workflows and process designs including the Human Resources, Procurement and Payroll.

The future of the Corporation is seemingly on the right track with the efforts to improve the organizational structure and combined with the impetus placed on the strategic tenets evident in the IDB loan structure, NPC will continue with providing its customers with the high level of service.

# MANAGEMENT DISCUSSION AND ANALYSIS

Management submits the following discussion and analysis for the year under review

## 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 Mr Noel Greenidge.

## OPERATIONS OVERVIEW

During the fiscal year April 1, 2016 to March 31, 2017 the National Petroleum Corporation (hereinafter called "the NPC") executed the following activities:

a) Some 3.02 Kilometres (or 1.88 miles) of new distribution pipelines were installed in the parishes of St. Michael, St. Philip and Christ Church;

b) Additionally, as part of our infrastructure maintenance programme, some 3.29 Kilometres (or 2.04 miles) of distribution pipeline was replaced in the parishes of St. Michael, St. James and Christ Church;

c) Resulting from our business development activities, the Corporation was able to achieve the installation of 264 domestic customers and 6 commercial customers with a natural gas supply. This amounts to 270 customers receiving a natural gas supply for the fiscal year.

d) Furthermore, in circumstances arising from cases (i) where a private land owner simply for no apparent reason withdraws their permission for having natural gas infrastructure installed on their land, or (ii) where natural gas infrastructure is removed for safety concerns or (iii) where there is a necessity of having the natural gas pipeline infrastructure removed from its existing location to facilitate land development, the Corporation for this fiscal year engaged in the relocation of 0.06 kilometres (or 0.04 miles ) of natural gas pipeline. The cost of executing such relocation work was generally borne by the requesting party.

## GAS LOSS EFFICIENCIES FOR FISCAL YEAR ENDING 2017

The National Petroleum Corporation generally has an aged natural gas infrastructure, as it relates to the natural gas distribution pipeline system. The aged pipeline system is principally in the Bridgetown, St. Michael areas and its environs and along the Highway 7 up to Dover, Christ Church in the east, and as far as Spring Garden, St. Michael in the South-west. Additionally, the NPC's aged distribution infrastructure is also in existence off road within the wooded area of Trents, St. James, east of Highway 1.

As a result of this reality, the NPC has had to confront these infrastructure challenges by way of the execution of selective maintenance of the natural gas infrastructure through the replacing of many of its leaking natural gas distribution pipelines, and also replacing many of its domestic and commercial meters, so as to stem pipeline leaks and ensure appropriate natural gas volumetric measurement. By the execution of these maintenance initiatives, the NPC continually seeks to be rewarded with gas loss efficiencies and the generation of increased revenues by ensuring that all of the natural gas that the NPC purchases from the Barbados National Oil Company Limited, is available for sale to its existing and future customers.

Over the many fiscal years, the objective of infrastructure maintenance, has not been without challenges, especially in an unwavering environment of scarce financial resources, and the great pressure of having to expand the natural gas distribution network, to ensure that all the residents in the eleven (11) parishes of our island can enjoy the benefit of having a natural gas supply.

Being mindful of the challenges, the NPC's Board of Directors have ratified that in the circumstances a gas loss of five percent (5%) of the gas purchased will be optimally acceptable, with a ninety-five percent (95%) volumetric availability. With this backdrop, the following tabulated monthly results have been achieved for this fiscal year:

**Gas Loss Efficiency Data**

| No. | Months/Years | Gas Loss As A percentage (%) | Percentage Gas Available For Sale (%) |
|---|---|---|---|
| 1 | April | 0 | 100.00 |
| 2 | May | 0.17 | 99.83 |
| 3 | June | 0.92 | 99.08 |
| 4 | July | 9.09 | 90.91 |
| 5 | August | 0 | 100.00 |
| 6 | September | 5.63 | 94.37 |
| 7 | October | 7.84 | 92.16 |
| 8 | November | 8.93 | 91.07 |
| 9 | December | 2.22 | 95.56 |
| 10 | January | 1.10 | 98.90 |
| 11 | February | 0.31 | 99.69 |
| 12 | March | 5.98 | 94.02 |

From the tabulated data provided, on a monthly basis, the average natural gas loss and the percentage gas available for sale, for the fiscal year is 3.51% and 96.49% respectively. These figures have been marginally better than the policy position taken by the NPC's Board of Directors.

There are many instances where the policy position of gas loss efficiencies was not achieved within specific months. Generally, the reasons, are (a) where the NPC infrastructure suffered damage from third parties, (b) where there were unreported leaks, especially within the off-road and wooded areas, and (c) where a billing cycle fell on a weekend and meters readings were estimated or not read. However, with the availability of financial resources within our budgets, and with the exercise of financial prudence, we endeavor to improve on our operational efficiencies, as we go forward into the next fiscal year 2018.

## FINANCIAL PERFORMANCE OVERVIEW

The financial year ended March 31, 2017 recorded a loss before share of loss of associated company of $1,224,264, which compared negatively against the income before share of loss of associated company of $920,078 in the prior year. This combined with the share of the loss of the associated company ($1,055,986) and other comprehensive loss ($3,577,496) to result in the total comprehensive loss of $5,857,746. This total loss was 64% worse than the prior year.
The table below illustrates the comparative highlights of the statements of income for the last three years.

| Expressed in thousands | 2016-17 | 2015-16 | Variance | 2014-15 | Variance |
|---|---|---|---|---|---|
| Gas Sales | 18,139 | 16,402 | 11% | 16,626 | -1% |
| Operating expenses | 19,615 | 15,850 | 24% | 17,527 | -10% |
| Other income | 603 | 749 | -29% | 574 | 48% |
| Operating profit | (873) | 1,404 | -162% | (327) | -529% |
| Interest & other loan expenses | 351 | 484 | -27% | 550 | -12% |
| Net income (loss) before loss of associated company | (1,224) | 920 | -233% | (877) | -205% |

Appendix 2 further shows the distribution of income for the years 2007-08 to 2016-17.

## GAS SALES

Strong sales in the commercial sector has resulted in a 11% increase in gas revenue. Total gas sales increased from $18,138,605 in the current year compared to $16,402,010 in the prior year. The active customer base increased to 21,128 in the current year as compared to 20,858 in 2015-16.

See the table below which segments the gas sales revenue.

| Expressed in thousands | 2016-17 | 2015-16 | Variance | Explanation |
|---|---|---|---|---|
| Residential | 4,389 | 4,357 | 1% | Marginal increase of sales volumes |
| Commercial | 13,243 | 11,612 | 14% | Increase of sales volumes by 13% can be attributed to increased consumption by large entities in hotel and manufacturing industry |
| Special Rate | 508 | 446 | 14% | Increase of sales volumes by 15% |
| | 18,140 | 16,415 | 11% | |
| Allowances | 2 | 13 | -85% | |
| Total | 18,138 | 16,402 | 11% | |

## OPERATING EXPENSES

Total operating expenses increased by 24% in the current year as compared to the prior year. Due to increase in gas purchase expense, the segment of the operating expenses which is attributed to production, transmission and distribution now represents 52% of the total operating expenses as compared to the prior year.

The table below segments these expenses.

| Expressed in thousands | 2016-17 | 2015-16 | Variance | Explanation |
|---|---|---|---|---|
| Production, transmission & distribution | 10,262 | 6,392 | 61% | Increase in gas purchase expense as a result of the use of the more expensive LNG to supplement locally sourced gas |
| General, administrative & commercial | 7,175 | 7,206 | 0% | |
| Depreciation | 2,178 | 2,252 | -3% | |
| Total | 19,615 | 15,850 | 24% | |

## BALANCE SHEET HIGHLIGHTS

At March 31, 2017, total assets of the Corporation valued $73,872,349.
The table below shows the balance sheet highlights for the year.

| Expressed in thousands | 2016-17 | 2015-16 | Variance | Explanation |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 2,973 | 2,277 | 31% | Cash earned from operating activities |
| Accounts receivable | 16,097 | 16,255 | -1% | |
| Inventory | 875 | 706 | 24% | |
| Prepaid expenses | 58 | 51 | 14% | |
| Property, plant and equipment | 37,243 | 37,484 | -1% | Extension of gas network and construction of LNG plant |

## BALANCE SHEET HIGHLIGHTS CONT

| | | | | |
|---|---|---|---|---|
| Investment in associated company | 16,596 | 18,346 | -10% | Share of loss of associated company |
| Deferred expenses | 17 | 26 | -35% | |
| **Liabilities and equity** | | | | |
| Accounts payable and accrued liabilities | 6,480 | 7,854 | -17% | VAT recoverable associated with additional billings for LNG purchases |
| Due to related company | 16,508 | 10,247 | 61% | Additional billings for LNG purchases |
| Long-term debt (including current portion) | 3,709 | 5,501 | -33% | Repayment of loans |
| Progress payments received | 56 | 56 | 0% | |
| Deferred lease premium | 420 | 450 | -7% | Amortization of lease premium |
| Deferred credit | 1,617 | 1,724 | -6% | Transfer from progress payment and amortization of deferred credit |
| Pension plan liability | 2,155 | 449 | 380% | Pension expense and remeasurements less contributions paid |
| Capital grants | 3,070 | 3,164 | -3% | Amortization of capital grants |
| Retained earnings | 29,450 | 35,308 | -17% | Net loss for the year |

## STATEMENT OF CASH FLOW HIGHLIGHTS

At the end of the year ended March 31, 2017, the Corporation had increased its cash and cash equivalents by $696,424.

The table below shows the cash flow highlights for the year.

| Expressed in thousands | 2016-17 | 2015-16 | Variance | Explanation |
|---|---|---|---|---|
| Cash from operating activities | 4,420 | 4,865 | -9% | Increase in amount due to associated company |
| Cash from investing activities | (1,932) | (4,115) | -53% | Extension of gas network and construction of LNG plant |
| Cash from financing activities | (1,792) | 203 | -983% | Repayment of loans |
| Increase (decrease) in cash and cash equivalents | 696 | 953 | -27% | |
| Cash and cash equivalents -beginning of year | 2,277 | 1,324 | 72% | |
| Cash and cash equivalents - end of year | 2,973 | 2,277 | 31% | |

## HUMAN RESOURCES OVERVIEW

Over the period under review, there were a number of staff changes at the NPC, due in part to retirement of some staff. The NPC, via its succession planning initiatives, sought to maintain staffing levels as well as facilitate internal and external training to retain and develop institutional knowledge, particularly where key personnel were at retirement age. Owing to staffing requirements and operational needs, temporary employees were recruited during the period under review.

For the period under review, the NPC saw three persons retiring with tenures ranging from 20-35 years of service.

### Staffing & Recruitment

There were no staff appointments during the year. Accordingly, owing to the resource and operational requirements the staff complement was 105 at March 31, 2017, as compared with 110 as at March 31, 2016. These numbers at year end included temporary resources whom were recruited to ensure continuity of operations in some key areas.

### Employee Engagement and Social Cohesion

The Corporation, in conjunction with the Barbados National Oil Company Limited and the Division of Energy, held the inaugural joint Christmas Luncheon on December 9, 2016 at Mahogany Ridge in St. James. This event was coordinated as part of the effort to promote and encourage employee integration in light of the proposed amalgamation between the Barbados National Oil Company and the National Petroleum Corporation.

### Training & Development

During the financial year ended March 2016, training was facilitated in the following key areas:

- Energy Transformation
- Air Quality
- Fuel & Gas Filtration
- Budgeting and Forecasting
- Forklift Safety and Operations

Overall, the number of training hours totalled 495.50 hours for the review period.

## Retirees

Three long standing employees from the Technical and Finance and Accounts Departments retired during the period. Their service to the Corporation ranged from 20 to 35 years and their total tenure of 86 years would have enabled the Corporation to benefit from their various skills and expertise during that time.

Rudolph Cadogan
General Worker
*20 years of service*

Keith Durant
General Worker
*31 years of service*

Cheryl Millar
Accounts Clerk – General Ledger
*35 years of service*

### Long Service Awardees

A total of 10 employees were honored at the Corporation's annual Awards Ceremony in December 2016, for their years of long standing service. Awards were presented for 15 through to 30 years of service.

## Awardees: 15 Years

Julie Miller
Secretary – Finance and Accounting

Margaret Vaughan
Accounts Clerk, Payroll

## Awardees: 20 Years

Michael J. Bascombe
Fitter

Ryan Griffith
Meter Shop Technician

Rudolph Cadogan
General Worker (also retired during the financial year)

Nicola Codrington
Draughtsman

## Long Service Awardees 25 years:

Cameron Brewster
Marketing and Sales
Representative

Paula Gittens
Customer Service Officer

## Awardees: 30 years

Grace Haynes
Accounts Clerk - Payable

Michelle Bovell
Systems Operator

APPENDIX I

## SUMMARY OF MAINS LAID APRIL 1, 2016 TO MARCH 31, 2017

| New Mains | Size of Main/Distance in Feet | | | | | |
|---|---|---|---|---|---|---|
| | 1 1/4" H.P P.E | 2" H.P P.E | 3" H.P P.E | 4" H.P P.E | 6" H.P P.E | 3" H.P STEEL |
| St Michael | | 1,228.92 | 1,875.83 | 3,474.83 | | |
| St Philip | 910.33 | | | 1,030.00 | | |
| Christ Church | 887 | | 507.08 | | | |
| Relocation, Replacement or Renewal | Size of Main/Distance in Feet | | | | | |
| | 1 1/4" H.P P.E | 2" H.P P.E | 3" H.P P.E | 4" H.P P.E | 6" H.P P.E | |
| St Michael | 20 | 64 | | 198 | 10,632.08 | 38 |
| Christ Church | 19 | | | | | |
| St James | | | | 14 | | |
| | | | | | | |
| Summary of Mains Laid | Miles | Kilometres | Linear Feet | | | |
| New Mains | 1.88 | 3.02 | 9,913.99 | | | |
| Relocation/Replacement | 2.08 | 3.35 | 10,985.08 | | | |
| Total Mains Laid | 3.96 | 6.37 | 20,899.07 | | | |

## APPENDIX II

### DISTRIBUTION OF INCOME FOR YEARS 2007/08 TO 2016/17

| Year | *Income from all sources | | Operating Expenses | | | | | | Interest Charges | | Corporation Tax Credit/(Charge) | | Net (Loss)/Income Before Share of Profit/(Loss) of Associated Co. (BNOCL) | | Share of Profit/ (Loss) of Associated Co. (BNOCL) | Total Comprehensive Income/(Loss) for the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Transmission, Distribution, Administration and Commercial | | Purchase of Gas | | Depreciation | | | | | | | | | |
| | $ | % | $ | % | $ | % | $ | % | $ | % | $ | % | $ | % | $ | $ |
| 2017 | 15,164,553 | 100.00 | 9,009,531 | 59.41 | 8,427,971 | 55.58 | 2,177,765 | 14.36 | 351,046 | 2.31 | 0 | 0.00 | -4,801,760 | -31.66 | -1,055,986 | -5,857,746 |
| 2016 | 16,657,355 | 100.00 | 9,848,245 | 59.12 | 3,749,813 | 22.51 | 2,251,603 | 13.52 | 484,014 | 2.91 | 0 | 0.00 | 323,680 | 1.94 | -2,418,032 | -2,094,352 |
| 2015 | 17,447,911 | 100.00 | 11,569,636 | 66.31 | 3,720,533 | 21.32 | 2,236,856 | 12.82 | 550,443 | 3.15 | 2,433,981 | 13.95 | -3,063,538 | -17.56 | -799,590 | -3,863,128 |
| 2014 | 17,131,763 | 100.00 | 8,709,018 | 50.84 | 3,826,590 | 22.34 | 2,193,455 | 12.80 | 569,110 | 3.32 | 186,921 | 1.09 | 1,646,669 | 9.61 | 7,265,646 | 8,912,315 |
| 2013 | 15,923,765 | 100.00 | 8,374,265 | 52.59 | 3,763,283 | 23.63 | 2,092,923 | 13.14 | 481,688 | 3.02 | 158,696 | 1.00 | 1,052,910 | 6.61 | 6,938,300 | 7,991,210 |
| 2012 | 15,468,266 | 100.00 | 8,863,114 | 57.30 | 3,699,675 | 23.92 | 2,071,862 | 13.39 | 508,114 | 3.28 | 500 | 0.00 | 325,001 | 2.10 | 13,178,056 | 13,503,057 |
| 2011 | 17,975,843 | 100.00 | 8,915,103 | 49.59 | 3,604,777 | 20.05 | 2,096,013 | 11.66 | 609,100 | 3.39 | 2,954,583 | 16.44 | -203,733 | -1.13 | 11,041,102 | 10,837,369 |
| 2010 | 15,117,565 | 100.00 | 9,007,523 | 59.58 | 1,479,252 | 9.78 | 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 | 6,572,809 | 44.76 | 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 | 5,174,760 | 34.04 | 2,207,017 | 14.52 | 1,189,878 | 7.83 | 0 | 0.00 | -342,044 | -2.25 | -15,470,210 | -15,812,254 |

* Gross of discounts and allowances

# National Petroleum Corporation
# **Financial Statements**
## March 31, 2017
(expressed in Barbados Dollars)

## Independent auditor's report

To the Board of Directors

### Our qualified opinion

In our opinion, except for the possible effect of the matter 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, 2017, 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, 2017;
- 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 a summary of significant accounting policies.

### Basis for qualified opinion

Included in investment in associated company on the statement of financial position and share of loss of associated company on the statement of comprehensive income are amounts of $16,596,131 and $1,055,986 respectively in relation to the Corporation's interest in Barbados National Oil Company Limited (BNOCL). The BNOCL in-house and external oil and gas reserves reports prepared as at March 31, 2017 did not fully evaluate in-place volumes, reserves resources and project cost assumptions nor were 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 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 for the current year. In addition, BNOCL has not measured its provision for abandonment based on the present value of the expected future cash flows that will be required to perform the decommissioning. This is not in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.

*PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies*
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As such the associated company's auditor was unable to determine whether adjustments might have been necessary in respect of property, plant and equipment and the provision for abandonment reported in the associated company's consolidated statement of financial position and depletion costs reported in the consolidated statement of comprehensive income and consolidated statement of cash flows for the current year. As a result, we are unable to determine whether any adjustments are required to investment in associated company on the statement of financial position and share of the loss of associated company on the statement of comprehensive income for the current year.

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

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

## Other information
Management is responsible for the other information. The other information comprises the Annual Report for the year ended March 31, 2017 (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the auditor's report date.

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.

## 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 skepticism 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 to the Board of Directors, as a body, in accordance with the National Petroleum Corporation Act, Cap 280 Section 16. Our audit work has been undertaken so that we might state to the 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 and the Board of Directors as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
September 20, 2019

# National Petroleum Corporation

Statement of Financial Position

**As of March 31, 2017**

(expressed in Barbados dollars)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash on hand and at bank (note 4) | **2,973,367** | 2,276,943 |
| Accounts receivable (note 5) | **16,096,857** | 16,255,469 |
| Corporation tax recoverable | **13,458** | 13,458 |
| Inventories (note 6) | **874,991** | 706,032 |
| Prepaid expenses | **58,216** | 50,583 |
| | **20,016,889** | 19,302,485 |
| **Property, plant and equipment** (note 7) | **37,242,829** | 37,484,038 |
| **Investment in associated company** (note 8) | **16,596,131** | 18,346,229 |
| **Deferred expenses** (note 9) | **16,500** | 25,500 |
| **Total assets** | **73,872,349** | 75,158,252 |
| **Liabilities and equity** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 10) | **6,480,034** | 7,853,557 |
| Due to related company (note 11) | **16,507,538** | 10,247,045 |
| Current portion of borrowings (note 12) | **1,830,209** | 1,791,876 |
| Progress payments received (note 13) | **55,960** | 55,961 |
| | **24,873,741** | 19,948,439 |
| **Borrowings** (note 12) | **1,878,529** | 3,708,738 |
| **Deferred lease premium** (note 14) | **420,303** | 450,303 |
| **Deferred credit** (note 15) | **1,617,368** | 1,723,605 |
| **Pension plan liability** (note 16) | **2,155,201** | 448,639 |
| **Capital grants** (note 17) | **3,070,064** | 3,163,639 |
| **Total liabilities** | **34,015,206** | 29,443,363 |
| **Equity** | | |
| Capital contributed by Government of Barbados (note 18) | **10,407,157** | 10,407,157 |
| Retained earnings | **29,449,986** | 35,307,732 |
| | **39,857,143** | 45,714,889 |
| **Total liabilities and equity** | **73,872,349** | 75,158,252 |

**Approved by the Board of Directors on September 20, 2019**

Agrinth T Thompson Director    F Bellamy Weekes Director

# National Petroleum Corporation

Statement of Changes in Equity

**For the year ended March 31, 2017**

(expressed in Barbados dollars)

| | Capital contributed by Government of Barbados $ | Retained earnings $ | Total $ |
|---|---|---|---|
| **Balance at March 31, 2015** | 10,407,157 | 37,402,084 | 47,809,241 |
| **Comprehensive loss for the year** | | | |
| Net loss for the year | – | (1,497,954) | (1,497,954) |
| Other comprehensive loss | – | (596,398) | (596,398) |
| Total comprehensive loss for the year | – | (2,094,352) | (2,094,352) |
| **Balance at March 31, 2016** | 10,407,157 | 35,307,732 | 45,714,889 |
| **Comprehensive loss for the year** | | | |
| Net loss for the year | – | (2,280,250) | (2,280,250) |
| Other comprehensive loss | – | (3,577,496) | (3,577,496) |
| Total comprehensive loss for the year | – | (5,857,746) | (5,857,746) |
| **Balance at March 31, 2017** | **10,407,157** | **29,449,986** | **39,857,143** |

# National Petroleum Corporation

Statement of Comprehensive Income

**For the year ended March 31, 2017**

(expressed in Barbados dollars)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Sales** | | |
| Natural gas | **18,138,605** | 16,402,010 |
| **Operating expenses** | | |
| Production, transmission and distribution (note 19) | **10,262,372** | 6,391,973 |
| General, administrative and commercial | **7,175,130** | 7,206,085 |
| Depreciation (notes 7 and 24) | **2,177,765** | 2,251,603 |
| | **19,615,267** | 15,849,661 |
| | **(1,476,662)** | 552,349 |
| **Subsidy from Government** | – | 102,410 |
| **Other income** (note 20) | **603,444** | 749,333 |
| **Operating(loss)/profit** | **(873,218)** | 1,404,092 |
| Interest and other loan expenses (note 12) | **(351,046)** | (484,014) |
| **Net (loss)/income for the year before share of loss of associated company** | **(1,224,264)** | 920,078 |
| Share of loss of associated company (note 8) | **(1,055,986)** | (2,418,032) |
| **Net loss for the year** | **(2,280,250)** | (1,497,954) |
| **Other comprehensive income:** | | |
| *Items that will not be reclassified to income:* | | |
| Remeasurements of defined employee benefits (note 16) | **(2,883,384)** | (583,587) |
| Share of other comprehensive loss of associated company (note 8) | **(694,112)** | (12,811) |
| **Other comprehensive loss for the year** | **(3,577,496)** | (596,398) |
| **Total comprehensive loss for the year** | **(5,857,746)** | (2,094,352) |

## National Petroleum Corporation

Statement of Cash Flows

**March 31, 2017**

(expressed in Barbados dollars)

| | 2017 $ | 2016 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss for the year | **(2,280,250)** | (1,497,954) |
| Adjustments for: | | |
| Depreciation | **2,177,765** | 2,251,603 |
| Amortisation of deferred expenses | **9,000** | 9,000 |
| Amortisation of lease premium | **(30,000)** | (30,000) |
| Amortisation of deferred credit | **(123,102)** | (122,066) |
| Amortisation of capital grant | **(93,575)** | (69,100) |
| Interest and other loan expenses | **351,046** | 484,014 |
| Interest income | **(4,648)** | (13,755) |
| Pension expense | **318,761** | 344,994 |
| Project income | **(27,444)** | (81,632) |
| Share of loss of associated company | **1,055,986** | 2,418,032 |
| Gain on disposal of property, plant and equipment | **–** | (23,522) |
| Operating profit before working capital changes | **1,353,539** | 3,669,614 |
| Decrease in accounts receivable | **158,612** | 168,757 |
| (Increase)/decrease in inventories | **(168,959)** | 213,914 |
| Increase in prepaid expenses | **(7,633)** | (2,956) |
| (Decrease)/increase in accounts payable and accrued liabilities | **(1,373,523)** | 164,524 |
| Increase in amount due to associated company | **6,260,493** | 2,520,480 |
| Cash generated from operations | **6,222,529** | 6,734,333 |
| Interest and other loan expenses paid | **(351,048)** | (484,014) |
| Pension contributions paid | **(1,495,583)** | (1,495,583) |
| Progress payments received | **44,310** | 110,550 |
| Net cash generated from operating activities | **4,420,208** | 4,865,286 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(1,936,556)** | (4,390,448) |
| Proceeds from disposals of property, plant and equipment | **–** | 261,849 |
| Interest income received | **4,648** | 13,755 |
| Net cash used in investing activities | **(1,931,908)** | (4,114,844) |
| **Cash flows used in financing activities** | | |
| Repayments of borrowings | **(1,791,876)** | (1,755,873) |
| Capital grant received | **–** | 1,958,589 |
| Net cash (used in)/generated from financing activities | **(1,791,876)** | 202,716 |
| **Increase in cash and cash equivalents** | **696,424** | 953,158 |
| **Cash and cash equivalents - beginning of year** | **2,276,943** | 1,323,785 |
| **Cash and cash equivalents - end of year** | **2,973,367** | 2,276,943 |

(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.

***i) New standards, amendments and interpretations to existing standards effective in the 2017 financial year***

The following amendment to published standards is applicable to the financial year. The amendment below did not have a significant impact on the financial statements:

**Amendment to IAS 1, 'Presentation of financial statements'** on the disclosure initiative (effective January 1, 2016). These amendments are a part of the IASB initiative to improve presentation and disclosure in financial reports.

***ii) New standards, amendments and interpretations to existing standards effective in the 2017 financial year, but not relevant***

**Amendment to IFRS 10 and IAS 28** on investment entities applying the consolidation exception (effective January 1, 2016).

**Amendment to IFRS 11, 'Joint arrangements'** on acquisition of an interest in a joint operation (effective January 1, 2016).

**IFRS 14, 'Regulatory deferral accounts'** (effective January 1, 2016).

(expressed in Barbados dollars)

## 2 Significant accounting policies *...continued*

### a) Basis of preparation *...continued*

#### *ii) New standards, amendments and interpretations to existing standards effective in the 2017 financial year, but not relevant ...continued*

**Amendments to IAS 16, 'Property, plant and equipment'**, and IAS 41, 'Agriculture', regarding bearer plant (effective January 1, 2016).

**Amendment to IAS 16, 'Property, plant and equipment'** and IAS 38,'Intangible assets', on depreciation and amortisation (effective January 1, 2016).

**Amendments to IAS 27, 'Separate financial statements'** on the equity method (effective January 1, 2016).

#### *iii) New standards, amendments and interpretations to existing standards issued but not yet effective 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.

| | |
|---|---|
| IAS 7 (Amendment) | 'Statement of cash flows' on the disclosure initiative. These amendments introduce additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities (effective January 1, 2017). |
| IFRS 9 | 'Financial instruments' simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value where the basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset (effective January 1, 2018). |
| IFRS 15 | 'Revenue from contracts with customers'. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers (effective January 1, 2018). |
| IFRS 16 | 'Leases'. This new standard now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts (effective January 1, 2019). |

(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 | - | 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.

(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 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 credits. Deferred credits are amortised over the same period as the capital costs to which they relate.

(expressed in Barbados dollars)

## 2 Significant accounting policies *...continued*

### g) Grants and deferred credits *...continued*

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.

### k) Pension plan valuation

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

The liability recognised in the balance sheet 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.

(expressed in Barbados dollars)

## 2 Significant accounting policies *...continued*

### 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.

## 4 Cash resources

| | **2017** | **2016** |
|---|---|---|
| | **$** | **$** |
| Cash on hand and at bank: | | |
| Petty cash | **1,100** | 1,101 |
| Current accounts | **1,050,000** | 1,150,000 |
| Savings account | **1,922,267** | 1,125,842 |
| | **2,973,367** | 2,276,943 |

Significant concentrations of cash resources are as follows:

| | **2017** | **2016** |
|---|---|---|
| | **$** | **$** |
| Republic Bank (Barbados) Limited | **2,387,284** | 2,001,255 |

(expressed in Barbados dollars)

## 5 Accounts receivable

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Trade receivables: | | |
| Customers | **3,571,748** | 3,726,297 |
| Servicing | **630,292** | 604,886 |
| | **4,202,040** | 4,331,183 |
| Less: Provision for impairment of receivables | **(1,231,313)** | (1,335,684) |
| Trade receivables - net | **2,970,727** | 2,995,499 |
| Other receivables | **128,434** | 262,274 |
| Dividends receivable | **12,997,696** | 12,997,696 |
| | **16,096,857** | 16,255,469 |

As at year end, trade receivables of $1,619,081 (2016 - $1,550,207) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of $1,351,646 (2016 - $1,445,292) 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:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| 30 to 60 days | **796,597** | 765,703 |
| Over 90 days | **555,049** | 679,589 |
| | **1,351,646** | 1,445,292 |

As at year end, trade receivables of $1,231,313 (2016 - $1,335,684) were impaired and provided for. The aging of these trade receivables is as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Over 360 days | **1,231,313** | 1,335,684 |

(expressed in Barbados dollars)

## 5 Accounts receivable *...continued*

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

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Balance - beginning of year | **1,335,684** | 1,448,970 |
| Reversal of provision no longer required | **(104,371)** | (113,286) |
| Balance - end of year | **1,231,313** | 1,335,684 |

Direct write offs to the statement of comprehensive income in respect of impaired receivables were $115 (2016 - $1,871).

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

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Materials and supplies | **1,097,250** | 928,291 |
| Provision for obsolescence | **(231,728)** | (231,728) |
| | **865,522** | 696,563 |
| Gas | **9,469** | 9,469 |
| | **874,991** | 706,032 |

(expressed in Barbados dollars)

## 7 Property, plant and equipment

| | Land and buildings $ | Construction in progress $ | Gas wells, pipelines, production and transmission equipment $ | Distribution, plant and equipment $ | Moveable equipment $ | Total $ |
|---|---|---|---|---|---|---|
| **At March 31, 2015** | | | | | | |
| Cost or valuation | 5,489,675 | – | 8,644,264 | 75,021,068 | 6,753,081 | 95,908,088 |
| Accumulated depreciation | (5,079,645) | – | (7,958,336) | (41,159,287) | (6,127,301) | (60,324,569) |
| Net book amount | 410,030 | – | 685,928 | 33,861,781 | 625,780 | 35,583,519 |
| **Year ended March 31, 2016** | | | | | | |
| Opening net book amount | 410,030 | – | 685,928 | 33,861,781 | 625,780 | 35,583,519 |
| Additions | 20,013 | 2,159,486 | 240,667 | 1,578,192 | 392,090 | 4,390,448 |
| Disposals | – | – | – | (224,908) | (534,977) | (759,885) |
| Depreciation on disposals | – | – | – | – | 521,559 | 521,559 |
| Depreciation charge | (182,162) | – | (48,195) | (1,886,794) | (134,452) | (2,251,603) |
| Closing net book amount | 247,881 | 2,159,486 | 878,400 | 33,328,271 | 870,000 | 37,484,038 |
| **At March 31, 2016** | | | | | | |
| Cost or valuation | 5,509,688 | 2,159,486 | 8,884,931 | 76,374,353 | 6,610,194 | 99,538,652 |
| Accumulated depreciation | (5,261,807) | – | (8,006,531) | (43,046,082) | (5,740,194) | (62,054,614) |
| Net book amount | 247,881 | 2,159,486 | 878,400 | 33,328,271 | 870,000 | 37,484,038 |

(expressed in Barbados dollars)

## 7 Property, plant and equipment *...continued*

| | Land and buildings $ | Construction in progress $ | Gas wells, pipelines, production and transmission equipment $ | Distribution, plant and equipment $ | Moveable equipment $ | Total $ |
|---|---|---|---|---|---|---|
| **Year ended March 31, 2017** | | | | | | |
| Opening net book amount | 247,881 | 2,159,486 | 878,400 | 33,328,271 | 870,000 | 37,484,038 |
| Additions | 1,634 | 467,015 | 55,747 | 1,332,465 | 79,695 | 1,936,556 |
| Depreciation charge | (25,251) | – | (53,812) | (1,929,720) | (168,982) | (2,177,765) |
| **Closing net book amount** | **224,264** | **2,626,501** | **880,335** | **32,731,016** | **780,713** | **37,242,829** |
| **At March 31, 2017** | | | | | | |
| Cost or valuation | 5,511,322 | 2,626,501 | 8,940,678 | 77,706,818 | 6,689,889 | 101,475,208 |
| Accumulated depreciation | (5,287,058) | – | (8,060,343) | (44,975,802) | (5,909,176) | (64,232,379) |
| **Net book amount** | **224,264** | **2,626,501** | **880,335** | **32,731,016** | **780,713** | **37,242,829** |

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 18).

c) Construction in progress relates to a LNG plant which is being constructed at Barbados National Oil Company Limited (BNOCL), Woodbourne, St. Philip. The plant was completed in 2018 and sold to BNOCL.

(expressed in Barbados dollars)

## 8 Investment in associated company

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

| | **2017** **$** | **2016** **$** |
|---|---|---|
| Balance - beginning of year | **18,346,229** | 20,777,072 |
| Share of loss for the year | **(1,055,986)** | (2,418,032) |
| Share of other comprehensive loss for the year | **(694,112)** | (12,811) |
| Balance - end of year | **16,596,131** | 18,346,229 |

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

| | **Assets** **$** | **Liabilities** **$** | **Revenue** **$** | **Net loss** **$** |
|---|---|---|---|---|
| **2017** | **97,125,948** | **80,529,817** | **89,883,516** | **(1,055,986)** |
| 2016 | 95,151,205 | 76,804,976 | 94,989,625 | (2,418,032) |

(expressed in Barbados dollars)

## 9 Deferred expenses

| | $ |
|---|---|
| **At March 31, 2015** | |
| Cost | 108,000 |
| Accumulated amortisation | (73,500) |
| Net book amount | 34,500 |
| **Year ended March 31, 2016** | |
| Opening net balance | 34,500 |
| Amortisation | (9,000) |
| Closing net balance | 25,500 |
| **At March 31, 2016** | |
| Cost | 108,000 |
| Accumulated amortisation | (82,500) |
| Net book amount | 25,500 |
| **Year ended March 31, 2017** | |
| Opening net balance | 25,500 |
| Amortisation | (9,000) |
| Closing net balance | **16,500** |
| **At March 31, 2017** | |
| Cost | 108,000 |
| Accumulated amortisation | (91,500) |
| Net book amount | **16,500** |

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.

(expressed in Barbados dollars)

## 10 Accounts payable and accrued liabilities

| | 2017 $ | 2016 $ |
|---|---|---|
| Customer deposits | **2,080,651** | 1,976,821 |
| Trade payables | **515,734** | 662,399 |
| Payroll deductions and costs | **77,234** | 181,139 |
| Accrued expenses | **3,806,415** | 5,033,198 |
| | **6,480,034** | 7,853,557 |

## 11 Due to related company

The balance due to related company 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 26.

## 12 Borrowings

| | 2017 $ | 2016 $ |
|---|---|---|
| i) National Insurance Scheme $3M loan | **1,408,738** | 2,000,614 |
| ii) Bank of Nova Scotia $14.4M loan | **2,300,000** | 3,500,000 |
| | **3,708,738** | 5,500,614 |
| Current portion | **(1,830,209)** | (1,791,876) |
| Long-term portion | **1,878,529** | 3,708,738 |

| | 2017 $ | 2016 $ |
|---|---|---|
| i) National Insurance Scheme $3M loan - total balance | **1,408,738** | 2,000,614 |
| Less instalments due within twelve months and shown under current liabilities | **(630,209)** | (591,876) |
| Long-term portion | **778,529** | 1,408,738 |

The loan is repayable in quarterly instalments of blended principal and interest of $176,140. The loan bears interest at 6.325% (2016 - 6.325%) per annum.

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

(expressed in Barbados dollars)

## 12 Borrowings *...continued*

| | 2017 $ | 2016 $ |
|---|---|---|
| ii) Bank of Nova Scotia $14.4M loan - total balance | **2,300,000** | 3,500,000 |
| Less instalments due within twelve months and shown under current liabilities | **(1,200,000)** | (1,200,000) |
| Long-term portion | **1,100,000** | 2,300,000 |

The loan is repayable in monthly instalments of $100,000. The loan bears interest at 8% (2016 - 8%) per annum.

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

## 13 Progress payments received

Payments received in respect of capital projects were as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Balance - beginning of year | **55,961** | 91,313 |
| Additions | **44,310** | 110,551 |
| Taken to income | **(27,446)** | (81,632) |
| Transfer to deferred credit (note 15) | **(16,865)** | (64,271) |
| Balance - end of year | **55,960** | 55,961 |

(expressed in Barbados dollars)

## 14 Deferred lease premium

The Corporation has leased part of its premises at Wildey 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, 2015** | |
| Deferred lease premium | 1,500,303 |
| Accumulated amortisation | (1,020,000) |
| Net book amount | 480,303 |
| **Year ended March 31, 2016** | |
| Opening net balance | 480,303 |
| Amortisation (note 20) | (30,000) |
| Closing net balance | 450,303 |
| **At March 31, 2016** | |
| Deferred lease premium | 1,500,303 |
| Accumulated amortisation | (1,050,000) |
| Net book amount | 450,303 |
| **Year ended March 31, 2017** | |
| Opening net balance | 450,303 |
| Amortisation (note 20) | (30,000) |
| **Closing net balance** | **420,303** |
| **At March 31, 2017** | |
| Deferred lease premium | 1,500,303 |
| Accumulated amortisation | (1,080,000) |
| **Net book amount** | **420,303** |

(expressed in Barbados dollars)

## 15 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 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 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 Sagicor 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.

Additions during the year relate to main installations at Lears, St. Michael.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Balance - beginning of year | **1,723,605** | 1,781,400 |
| Amortisation (note 20) | **(123,102)** | (122,066) |
| Additions (note 13) | **16,865** | 64,271 |
| Balance - end of year | **1,617,368** | 1,723,605 |

(expressed in Barbados dollars)

## 16 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, 2016.

| | **2017**<br>**$** | **2016**<br>**$** |
|---|---|---|
| Present value of funded obligations | **17,216,691** | 15,580,735 |
| Fair value of plan assets | **(15,964,147)** | (15,132,096) |
| Effect of IFRIC 14 | **902,657** | – |
| Net liability at end of year | **2,155,201** | 448,639 |

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

| | **2017**<br>**$** | **2016**<br>**$** |
|---|---|---|
| Present value of funded obligations, beginning of year | **15,580,735** | 15,366,617 |
| Current service cost | **319,947** | 302,610 |
| Interest cost | **1,172,130** | 1,152,095 |
| Employee contributions | **1,700** | 1,200 |
| Benefits paid | **(1,234,609)** | (1,305,554) |
| *Remeasurements:* | | |
| Experience losses | **1,376,788** | 63,767 |
| Present value of funded obligations, end of year | **17,216,691** | 15,580,735 |

(expressed in Barbados dollars)

## 16 Pension plan *...continued*

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

| | 2017 $ | 2016 $ |
|---|---|---|
| Fair value of plan assets - beginning of year | **15,132,095** | 14,350,976 |
| Employer contributions paid | **1,495,583** | 1,495,583 |
| Employee contributions | **1,700** | 1,200 |
| Benefits paid | **(1,234,609)** | (1,305,554) |
| Plan administration expenses | **(9,600)** | (9,900) |
| *Remeasurements:* | | |
| Return on plan assets | **578,978** | 599,791 |
| Fair value of plan assets - end of year | **15,964,147** | 15,132,096 |

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

| | 2017 $ | 2016 $ |
|---|---|---|
| Net liability, beginning of year | **448,639** | 1,015,641 |
| Net pension expense included in the statement of comprehensive income (note 23) | **318,761** | 344,994 |
| Remeasurements included in the statement of other comprehensive income | **2,883,384** | 583,587 |
| Contributions paid | **(1,495,583)** | (1,495,583) |
| Net liability, end of year | **2,155,201** | 448,639 |

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

| | 2017 $ | 2016 $ |
|---|---|---|
| Current service cost | **319,947** | 302,610 |
| Net interest on the net defined benefit liability | **(10,786)** | 32,484 |
| Plan administration expenses | **9,600** | 9,900 |
| Total included in staff costs | **318,761** | 344,994 |

(expressed in Barbados dollars)

**16 Pension plan** *...continued*

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

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| *Remeasurements:* | | |
| Experience losses | **1,376,788** | 63,767 |
| Effect of IFRIC 14 | **902,657** | – |
| Return on plan assets excluding amounts included in interest expense | **603,939** | 519,820 |
| Total included in other comprehensive income | **2,883,384** | 583,587 |

Expected maturity analysis of undiscounted pension benefits:

| | Less than a year<br>$M | Between 1-2 years<br>$M | Between 2-5 years<br>$M | Over 5 years<br>$M | Total<br>$M |
|---|---|---|---|---|---|
| Pension benefits | 1.13 | 1.35 | 3.75 | 6.98 | 13.21 |

Principal actuarial assumptions used for accounting purposes were as follows:

| | 2017 | 2016 |
|---|---|---|
| Discount rate at end of year | **7.75%** | 7.75% |
| Future promotional salary increases | **2.00%** | 2.00% |
| Future inflationary salary increases | **3.75%** | 3.75% |
| Future pension increases | **0.75%** | 0.75% |
| Proportion of employees opting for early retirement | **10% of eligible members** | 10% of eligible members |
| Future changes in NIS ceiling | **3.50%** | 3.50% |
| Mortality | **UP 94 at 2015 with Projection Scale AA** | UP 94 at 2015 with Projection Scale AA |

(expressed in Barbados dollars)

## 16 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% | 15,578,018 | 19,207,803 |
| Salary growth rate | 0.5% | 17,783,852 | 16,702,927 |
| Life expectancy | 1 year | 17,957,462 | |

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 benefit 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, 2018 are $1,495,583.

The weighted average duration of the defined plan is 10.54 years.

(expressed in Barbados dollars)

## 17 Capital grants

| | $ |
|---|---|
| **At March 31, 2015** | |
| Cost | 1,533,880 |
| Accumulated amortisation | (259,730) |
| Closing net book amount | 1,274,150 |
| **Year ended March 31, 2016** | |
| Opening net book amount | 1,274,150 |
| Additions | 1,958,589 |
| Amortisation (note 20) | (69,100) |
| Closing net book amount | 3,163,639 |
| **At March 31, 2016** | |
| Cost | 3,492,469 |
| Accumulated amortisation | (328,830) |
| Closing net book amount | (3,163,639) |
| **Year ended March 31, 2017** | |
| Opening net book amount | 3,163,639 |
| Amortisation (note 20) | (93,575) |
| **Closing net book amount** | **3,070,064** |
| **At March 31, 2017** | |
| Cost | 3,492,469 |
| Accumulated amortisation | (422,405) |
| **Closing net book amount** | **3,070,064** |

(expressed in Barbados dollars)

## 18 Capital contributed by Government of Barbados

This is comprised of:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Capitalised loans | **950,000** | 950,000 |
| Capitalised interest on loans | **1,333,802** | 1,333,802 |
| Capitalisation of land granted to the Corporation (note 7) | **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 |
| | **10,407,157** | 10,407,157 |

## 19 Production, transmission and distribution costs

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Production | **8,427,971** | 3,749,813 |
| Transmission | **1,306** | 313,925 |
| Distribution | **2,053,159** | 2,422,518 |
| | **10,482,436** | 6,486,256 |
| Less: | | |
| Reimbursements through jobbing | **(171,476)** | (25,827) |
| Installation and re-connection fees | **(104,736)** | (80,597) |
| In house services | **56,148** | 12,141 |
| | **10,262,372** | 6,391,973 |

(expressed in Barbados dollars)

## 20 Other income

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Project income | **27,444** | 81,632 |
| Interest | **4,648** | 13,755 |
| Rental income | **222,078** | 222,078 |
| Miscellaneous income | **102,597** | 210,702 |
| | **356,767** | 528,167 |
| Amortisation of lease premium (note 14) | **30,000** | 30,000 |
| Amortisation of deferred credit (note 15) | **123,102** | 122,066 |
| Amortisation of capital grant (note 17) | **93,575** | 69,100 |
| | **603,444** | 749,333 |

## 21 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 of Barbados as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Net loss for the year | **(2,280,250)** | (1,497,954) |
| Tax calculated at 25% (2016 - 25%) | **(570,063)** | (374,489) |
| Tax effect of the following: | | |
| Tax losses expiring not utilised | **478,837** | 196,893 |
| Expenses not deductible for tax purposes | **292,279** | 671,460 |
| Tax allowance claimed | **(114,333)** | (147,546) |
| Income not subject to tax | **(23,394)** | (21,948) |
| Movement in deferred tax asset not recognised | **(63,326)** | (324,370) |
| | **–** | – |

(expressed in Barbados dollars)

## 21 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:

| | 2017 $ | 2016 $ |
|---|---|---|
| Delayed tax depreciation | **7,460,145** | 5,390,401 |
| Unutilised tax losses (note 22) | **2,532,459** | 3,678,684 |
| Pension plan liability | **2,155,201** | 448,639 |
| | **12,147,805** | 9,517,724 |
| Deferred tax asset at corporation tax rate of 25% (2016 - 25%) | **3,036,951** | 2,379,431 |

The expiry dates of the tax losses are disclosed in note 22. The other temporary differences have no expiry dates.

## 22 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 $ | Incurred $ | Expired $ | Balance c/f $ | Expiry date |
|---|---|---|---|---|---|
| 2008 | 1,915,347 | – | (1,915,347) | – | |
| 2009 | 1,410,704 | – | – | 1,410,704 | 2018 |
| 2015 | 352,633 | – | – | 352,633 | 2022 |
| 2017 | – | 769,122 | – | 769,122 | 2024 |
| | 3,678,684 | 769,122 | (1,915,347) | 2,532,459 | |

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.

(expressed in Barbados dollars)

## 23 Staff costs

Staff costs comprise the following:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Salaries, wages and National Insurance | **5,731,035** | 5,594,513 |
| Retro-active pay | **64,965** | 416,187 |
| Pension expense (note 16) | **318,761** | 344,994 |
| | **6,114,761** | 6,355,694 |
| The number of persons employed at year end was as follows | **105** | 112 |

## 24 Expenses by nature

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Depreciation | **2,177,765** | 2,251,603 |
| Gas purchased (note 26) | **8,427,971** | 3,749,813 |
| Impairment of receivables | **(104,256)** | (111,415) |
| Insurance | **433,178** | 429,195 |
| Internal in-house services expense (net) | **56,115** | 12,141 |
| Land tax | **81,025** | 81,025 |
| Legal fees | **5400** | 2,400 |
| Maintenance | **787,737** | 961,056 |
| Meter reading, accounting and collection | **203,045** | 253,496 |
| Pensions expense | **318,761** | 344,994 |
| Gratuities | **28,810** | 12,495 |
| Rent | **1,542** | 1,603 |
| Salaries, wages and National Insurance | **5,731,035** | 5,594,513 |
| Retro-active pay | **64,965** | 416,187 |
| Special services | **216,346** | 408,352 |
| Supplies | **496,448** | 622,463 |
| Security expenses | **113,049** | 115,842 |
| Other expenses | **566,860** | 500,500 |
| Travel and utilities | **241,157** | 262,712 |
| Uniforms and safety equipment | **44,501** | 47,110 |
| | **19,891,454** | 15,956,085 |
| Reimbursements through jobbing | **(171,451)** | (25,827) |
| Installation and re-connection fees | **(104,736)** | (80,597) |
| Total operating expenses | **19,615,267** | 15,849,661 |

(expressed in Barbados dollars)

## 25 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2017/18 of $2,539,100 (2016/17 - $2,065,000). None of this expenditure had been contracted for at that date.

## 26 Related party transactions

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

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Purchase of gas | **8,427,971** | 3,749,813 |

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

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Salaries | **610,371** | 613,114 |
| Directors' fees | **53,600** | 52,400 |
| | **663,971** | 665,514 |

(expressed in Barbados dollars)

## 27 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 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 note 12.

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

| | **2017** **$** | **2016** **$** |
|---|---|---|
| Fixed rate borrowings | **2,300,000** | 2,000,614 |
| Variable rate borrowings | **1,408,738** | 3,500,000 |
| | **3,708,738** | 5,500,614 |

At year end, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net loss for the year would have been $14,087 (2016 - $35,000) lower or higher.

(expressed in Barbados dollars)

## 27 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:

| | **2017** | | **2016** | |
|---|---|---|---|---|
| | **$** | **%** | **$** | **%** |
| Cash on hand and at bank | **2,973,367** | **50** | 2,276,943 | 43 |
| Accounts receivable | **2,970,727** | **50** | 2,995,499 | 57 |
| | **5,944,094** | **100** | 5,272,442 | 100 |

(expressed in Barbados dollars)

## 27 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 balance sheet 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 $ |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Assets** | | | | | | |
| Cash on hand and at bank | 2,973,367 | 2,973,367 | 2,973,367 | – | – | – |
| Accounts receivable | 2,970,727 | 2,970,727 | 2,970,727 | – | – | – |
| | 5,944,094 | 5,944,094 | 5,944,094 | – | – | – |
| **Liabilities** | | | | | | |
| Accounts payable | 2,596,385 | 2,596,385 | 2,596,385 | – | – | – |
| Due to related company | 16,507,538 | 16,507,538 | 16,507,538 | – | – | – |
| Borrowings | 3,708,738 | 4,010,550 | 2,044,560 | 1,965,990 | – | – |
| | 22,812,661 | 23,114,473 | 21,148,483 | 1,965,990 | – | – |
| **Liquidity gap** | (16,868,567) | (17,170,379) | (15,204,389) | (1,965,990) | – | – |

(expressed in Barbados dollars)

## 27 Financial risk management *...continued*

### c) Liquidity risk *...continued*

| | Carrying amount $ | Contractual cash flows $ | Less than 1 year $ | Between 1 & 2 years $ | Between 2 & 5 years $ | Over 5 years $ |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Assets** | | | | | | |
| Cash on hand and at bank | 2,276,943 | 2,276,943 | 2,276,943 | – | – | – |
| Accounts receivable | 2,995,499 | 2,995,499 | 2,995,499 | – | – | – |
| | 5,272,442 | 5,272,442 | 5,272,442 | – | – | – |
| **Liabilities** | | | | | | |
| Accounts payable | 2,639,220 | 2,639,220 | 2,639,220 | – | – | – |
| Due to related company | 10,247,045 | 10,247,045 | 10,247,045 | – | – | – |
| Borrowings | 5,500,614 | 6,151,109 | 2,140,560 | 3,775,696 | 234,853 | – |
| | 18,386,879 | 19,037,374 | 15,026,825 | 3,775,696 | 234,853 | – |
| **Liquidity gap** | (13,114,437) | (13,764,931) | (9,754,382) | (3,775,696) | (234,853) | – |

(expressed in Barbados dollars)

## 27 Financial risk management *...continued*

### 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.

### e) Capital risk management

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

## 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:

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

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

(expressed in Barbados dollars)

## 29 Subsequent events

i) At a Board of Directors' meeting on November 12, 2018 it was resolved to withdraw the dividend of $53M declared on March 20, 2015 to be paid to stockholders on record upon the divestment of Barbados National Terminal Company Limited. The dividends receivable included in accounts receivable were reversed in the Corporation's financial statements for the year ending March 31, 2019.

ii) Subsequent to the year end, the Government of Barbados amended the corporation tax rate from 25% to 30% which will take effect for income year 2018.

Additionally, the Government of Barbados announced all corporation tax rates will move to a sliding scale of 5.5% to 1% effective January 1, 2019.

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

# Notes

# Notes

# Notes

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