



ANNUAL REPORT2014







National Petroleum Corporation 2014 Annual Report







Contents

Letter of Transmittal	5
Mission & Values	6
Board of Directors	7
Committees of the Board of Directors	8
Principal Officers	9
Chairman's Report	10
Management Discussion and Analysis	12
Appointments to Permanent Staff	16
Retirees	17
Christmas Luncheon & Awards Ceremony	18
Appendix I	21
Appendix II	22
Audited Financial Statements	23







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





Reference: 200 Vol 29

May 23, 2016

The Energy People.

Minister of Energy Division of Energy and Telecommunications Prime Minister's Office Government Headquarters Bay Street St. Michael

Dear Sir

Letter of Transmittal

Pursuant to Sections 16 and 19 of the National Petroleum Corporation Act Cap. 280, we have the honour to submit the thirty second annual report and audited financial statements of the Corporation for the financial year ended March 31 2014.

We note that the Auditors have forwarded to you on February 26, 2016 the audited accounts and financial statements of the Corporation in accordance with section 16(5) of the Act.

Yours faithfully

NATIONAL PETROLEUM CORPORATION

Chairman



Mission & Values

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

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

- **Service**: To provide the best possible service never forgetting that what is done and the way it is done vitally affects the thousands of customers who depend on its service.
- Honesty: To conduct our business with honesty and integrity.
- Concern: To show concern for the welfare of our customer, fellow employees and the general public. We will protect the environment in which we live.
- Excellence: To strive for excellence in all that we do.
- **Team Work:** To work together in harmony as a team, combining our best thinking and efforts to make the Corporation the finest utility in the Nation.



Board of Directors



Sir Harcourt Lewis GCM, JP, DPA, FIBA Chairman



Mr. Noel Greenidge Deputy Chairman



Mr. Mark Parris
Director



Mr. Ken Linton Director



Winton Gibbs General Manager Barbados National Oil Co Ltd



Faye Prescod
Representative of the
Permanent Secretary,
Ministry of Finance



Mrs Juliet
Downes-Wilson
Director



Mr. Algernon
Atherley
Director



Ms. Doreen Johnson Director



Nancy Solomon Representative of Barbados Workers' Union



Francine Blackman Representative of the Division of Energy



Mr. Hodson Carrington Director



Ms. Laura Rudder Corporate Secretary



Legal Counsel

Mr. Edmund King, QC Mr. Michael Yearwood

Auditor

PricewaterhouseCoopers SRL

Bankers

Republic Bank (Barbados) Limited
FirstCaribbean International (Barbados) Limited
Scotiabank Barbados

Committees of the Board of Directors

Finance Committee

Sir Harcourt Lewis – Chairman (deceased January 13, 2015) Mr. Noel Greenidge – Deputy Chairman

Mr. Mark Parris

Representative of Permanent Secretary, Finance Representative of Division of Energy & Telecommunications

Establishments Committee

Sir Harcourt Lewis - Chairman (deceased January 13, 2015)

Mr. Noel Greenidge - Deputy Chairman

Mrs. Juliet Downes-Wilson

Representative Barbados Workers Union Representative of Division of Energy & Telecommunications

Technical Committee

Sir Harcourt Lewis - Chairman (deceased January 13, 2015)

Mr. Ken Linton Mr. Winton Gibbs Francine Blackman



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 Operation

Mrs. Andrea Monique Burnett-Edward

Technical Officer

Mr. Wosley John Wayne Holder

Technical Officer/Service Installations Coordinator

Senior Officers

Technical Operation

Jamal Squires, Petroleum Engineer
Stanley Phillips, Superintendent(ag)
Michael D. Bascombe, Foreman
Dave Downes, Foreman(ag)
Charles Price, Supervisor Drawings & Records

Human Resources & Administration

Basil Smart, Administrative Officer **Francine Forde,** Human Resources Officer

Finance & Accounting

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

Executive Office

Rhonda Clarke, Executive Secretary **Noel King**, Information Technology Officer(ag)



Chairman's Report



Sir Harcourt Lewis GCM, JP, DPA, FIBA Chairman

The world economy has begun a slow recovery from the global recession, with the Central Bank of Barbados reporting stability in the island's economy throughout 2013 and early 2014. Additionally, the price of crude oil and other petroleum products has dropped sharply from prices over US\$100 a barrel, thereby reducing energy costs for consumers.

However, coupled with sluggish manufacturing indicators in China and record highs in crude supplies in nations such as the USA and Saudi Arabia, crude oil, petroleum and natural gas gluts may arise, which could render the extraction of these natural resources infeasible due to low margins.

Nationally, major sectors of the Barbadian economy such as financial institutions, tourism and manufacturing still faced significant challenges to growth.

Unemployment continued to pose a concern at 11.7%, tempered by a slight decline in inflation to 1.8%, based primarily on declines in crude oil prices.

Given the slow return to stability, the economic environment has continued to directly limit the NPC's growth options as our key commercial customers, who account for 74% of our overall sales, sought to minimise their financial burdens.

As a result, the NPC has maintained its focus on projects that work to maximise existing efficiencies and opportunities while reducing the strain on our cash flows. Focus was given to improving the productivity, efficiency and quality of life of our human capital.

Performance Management

In an effort to accurately gauge and review the capabilities of our staff, the principal and senior officers of the NPC have worked to develop performance standards for each role. These standards will eliminate ambiguity and increase focus as they provide clear objectives for each position in the Corporation. Given these standards, management can arrange for more relevant training and identify potential leaders at an earlier stage so that they may be adequately prepared for supervisory roles.

Succession Planning

During the financial year under review, the NPC had five persons retire as expected, as well as four early retirees due to medical reasons. The loss of such hard-earned organisational knowledge, as well as the confusion that ensues until the position is filled, can be traumatic unless succession plans have been made.



Chairman's Report

Succession planning is particularly vital for supervisory positions, as these positions are often the most difficult to understand in a limited period of time. Thus, the NPC has undertaken an exercise to identify suitable successors for key roles in the Corporation.

Despite the slow amelioration of the financial morass, the NPC has made strides in fulfilling its mandate and has reaped the benefit of work completed in the previous financial year.

Mains replacement work has resulted in reduced loss of gas to leaks in corroded pipelines. There has also been growth in both residential and commercial customers. Commercial customers in particular have made greater use of natural gas to improve their energy efficiency.

Both increased gas conservation and increased commercial use have led to an operating profit of \$2,033,169 - a significant 21% increase as compared to the previous financial year.

Subsequent to the final production of this report our Chairman, Sir Harcourt Lewis, GCM, JP, DPA, FIBA passed away on January 13th, 2015.



Management is pleased to submit the following discussion and analysis for your information and consideration.

Our Business

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

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

The Corporation's general functions of the production of crude oil and natural 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 Sir

Harcourt Lewis, KCMG, GCM, J.P. who was re-appointed for a period of three (3) years, effective March 1, 2011.

FINANCIAL PERFORMANCE OVERVIEW

Net Income

During the financial year ended March 2014, the Corporation extended its trend of profitability for another year. The audited financial statements show an operating profit of \$2,033,169 when compared with an operating profit of \$1,681,332¹ in the previous year ended March 2013.

This year's share in profit of the Barbados National Oil Company decreased slightly by 1.57% from \$7,232,961² in 2013 to \$7,119,515 which resulted in a total Net Income Total and Comprehensive Income for the current year of \$8,912,315. This represented an increase of 11.53% when compared with the previous year.

Revenue Stream

Net Revenue from gas sales rose by 4% from \$15,845,293 in 2013 to \$16,478,890 in 2014. This was realised through growth in commercial sales during the period under review. Sales to customers in the commercial category represented 69% of the gross revenue.

^{1.} The financial statements for 2012 – 2013 were subsequently restated. This figure was originally stated as \$1,652,360 at March 31, 2013.

^{2.} The financial statements for 2012 – 2013 were subsequently restated. This amount was originally stated as \$7,235,627 at March 31, 2013.



Residential Sales

Total sales volumes to residential customers were stagnant, increasing by a mere 0.26% from 2,605,825 standard cubic metres in the previous year to 2,612,578 in the current year. At the end of the financial year the total number of active customers in this category stood at 19,933, an increase of 636 when compared with the previous year.

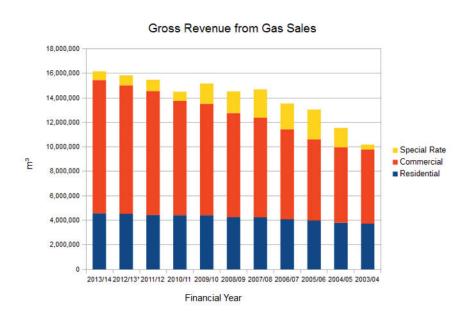
Commercial Sales

Commercial sales volumes increased by 337,612 standard cubic metres from 8,697,866 standard cubic metres to 9,035,478 standard cubic metres or 3.88%. At the end of the financial year the number of active commercial customers stood at 744 with an average annual usage of 12,144 cubic metres.

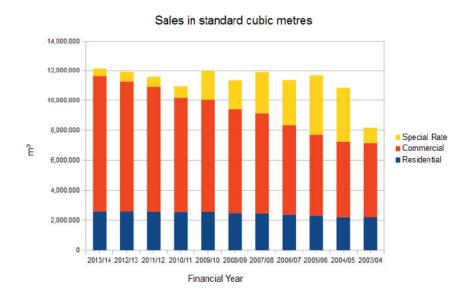
Special Rate Sales

For the year ended 2014, no sales were again made to our special rate customer, Barbados Light and Power. Sales to the Queen Elizabeth Hospital continued on its downward trend, totalling 523,288 standard cubic metres from 633,754 standard cubic metres the previous year, a decrease of 110,466 standard cubic metres or 17.43%.

Analysis of Gas Sales







Expenses

Operating expenses for the year ending March 2014 totalled \$14,729,063, an increase of \$498,592 over last year's total operating expenses. General, administrative and commercial expenses accounted for 47.19% of the total Operating Expenses.

Capital expenditure for the year totalled \$3,076,971 under the following headings:

Capital Expenditure	\$
Land and Buildings	7,263
Gas Wells, Pipelines - Production & Transmission	107,236
Distribution Plant and Equipment	2,873,524
Moveable equipment and Furniture	88,948

OPERATIONS OVERVIEW Gas Supply & Reserves

Purchase of natural gas from the Barbados National Oil Company Limited (BNOCL) was 14,447,673 standard cubic metres. The Corporation's Well #19 produced no significant amount of natural gas for the financial year.



According to information supplied by the BNOCL, the gas reserves as at March 31, 2014 were estimated to be near or at 4.959 million standard cubic metres.

Mains Installation

During the year under review, 2.19 miles of new mains were laid. The Corporation continued its maintenance programme which included the replacement of the overland pipeline. A total of 2.90 miles or 4.68km of mains were replaced during the year. See Appendix 1 for the summary of mains laid for the financial year ending March 31, 2014.

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

HUMAN RESOURCES OVERVIEW

The Human Resources and Administration department (HR & A) sought to prepare the Corporation for the eventual retirement of key personnel. To this end, managers and senior officers were asked to engage in succession planning and identify those employees capable of filling essential roles.

Staffing & Recruitment

The Corporation announced the appointment of nine persons to permanent

staff, bringing the staff complement to 115 as at March 31, 2014 as compared with 121 as at March 31, 2013.

The Corporation also announced the appointment by promotion of Rudolph Bovell, Driver, to the post of Team Leader/ Heavy Duty Driver.

Compensation & Benefits

Pensions – The Corporation's noncontributory 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.

During the period under review, an additional nine members retired and the balance of the plan at the end of the year totaled \$15,384,132.

Training & Development

During the financial year ending March 2014, training was facilitated in the following key areas: Defensive Driving, Basic Computer Training, Performance Management, Emergency Procedures and the Innoprise Systems software.

Overall, the number of training hours totalled 2,291.50 hours for the review period.



Appointments to Permanent Staff



Corey Butcher Meter Reader



Damien CatlynHealth, Safety, Security
& Environmental Officer



Nicholas Foster General Worker



Linus MatthewsGeneral Worker



Frederick Mayers General Worker



Edwin Moore General Worker



Trevor ScottGeneral Worker



Shawn Weekes General Worker



Ricardo Williams General Worker



Retirees

The Board wishes to record its appreciation of the contributions of its retirees for this period.



Carlos Carter Senior Project Officer 44 years of service



Jeff ChapmanMetershop Technician
42 years of service



Rolston Durant General Worker 28 years of service



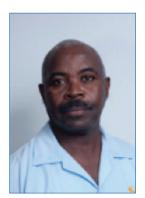
Philip Greenidge Scada System Attendant 40 years of service



Lemiel HobbsGeneral Worker
34 years of service



Stanley PhillipsForeman
42 years of service



Clement Pollard
Driver
30 years of service



Carl WatsonGeneral Worker
27 years of service



Lyman WilliamsGeneral Worker
31 years of service



Christmas Luncheon & Awards Ceremony

Our annual staff party and long service awards took place on Friday, December 20, 2013. A total of 20 staff members were honoured for their sterling contribution to the Corporation in the category of long service.

Long Service Awardees - 10 Years



Karen Bynoe Marketing and Sales Representative



Roger Moore Driller



Sophia Williams
Accounts Clerk
Inventory



Rico Wiltshire Commercial Clerk

Long Service Awardees - 15 Years



Lance Coppin Fitter



Selwyn Delaney Team Leader/Heavy Duty Driver



Joseph Grazette General Worker



Roger GreeneJunior Draughtsman



Christmas Luncheon & Awards Ceremony

Long Service Awardees - 15 Years



Winston IfillGeneral Worker



Anderson JonesGeneral Worker



Seibert Jordan Painter



Adrian Parris
Driver



Karen Pilgrim
Assistant Accountant –
Costs & Budgets



Horace WalrondDraughting Assistant



Christmas Luncheon & Awards Ceremony

Long Service Awardees - 20 - 30 Years



Francine Forde Human Resources Officer



Jacqueline Padmore Receptionist



Clement Pollard Driver



Delroy WalrondGeneral Worker

Long Service Awardees - 35 - 40 Years



Philip Greenidge Scada System Attendant



Rumalsden Ward Costings Clerk

 $\bigtriangleup \bigcirc \ominus \ominus \bigcirc | \chi |$ SUMMARY OF MAINS LAID APRIL 1, 2013 TO MARCH 31, 2014

					Ciza	Size of Main / Distance	Dietand	9		
			-		210		1000	,		
New Mains	1" H.P. P.E.	1"4" L.P. P.E.	11/4" H.P. P.E.	2" H.P. P.E.	2" H.P. 3" H.P. 4" H.P. P.E. P.E.		6" H.P. P.E.	6" H.P. 2" H.P. 3" H.P. P.E. Steel Steel	3" H.P. Steel	4" H.P. Steel
St Michael				428'-0"						
St James			1,141'- 10"	1,718'-						
St Thomas					533'-10"		276'-0" 280'-0"			
Christ Church						433'-0"				
St Philip			583'- 10"	5,892'-		287'-5"				
;					Size	Size of Main / Distance	Distanc	æ		
Relocation or	1"	11/4"		2" H.P.	3" H.P.	2" H.P. 3" H.P. 4" H.P.	6" H.P.	H.P.	3" H.P.	A" U D Stool
Replacement	P.E.		n.r. P.E.	P.E.	P.E.	P.E.	P.E.		Stee!	4 n.r. oleer
St Michael			184'-3		186'-0" 409'-10"	122'-0"				
Christ Church	14'-0"	4'-0"				1,476'-7"				
St Thomas								286'-0"	140'-0"	
St Andrew				25'-4"		.0-,862				121'-1"
Summary of Mains Laid								Miles	Kilo- metres	Linear Feet
New Mains								2.19	3.53	11,575'-5"
Relocation/Replacement								0.71	1.15	3,767'-1"
Total Mains Laid								2.90	4.68	15,342'-6"

$\land \bigcirc \bigcirc \bigcirc |\times||$ DISTRIBUTION OF INCOME FOR PERIOD 2003/04 TO 2013/14

	Net Income (Deficit) For Year	\$	8,912,315	7,991,210	9,014,255	13,502,557	13,791,952	1,724,585	-2,922,203	-15,812,254	-572,666	-2,276,098	-4,278,125	1,620,381
-	Net Income (Deficit) Before Share Profit (Loss) (Loss) Associated Associated Co. (BNOCL) Co (BNOCL)	8	7,265,646	6,938,300	7,630,782	13,178,056	11,041,102	-	-	-15,470,210	452,434	-1,834,178	-3,159,630	445,170
	Deficit) offit (Loss) BNOCL)	%	9.61	6.61	8.42	2.10	-1.13	11.41	-19.90	-2.25	-7.42	-3.24	-9.46	-19.65
	Net Income (Deficit) Before Share Profit (Loss) (Loss) Associate Associated Co. (BNOCL) Co (BNOCL)	8	1,646,669	1,052,910	1,383,473	325,001	-203,733	1,724,585	-2,922,203	-342,044	-1,025,100	-441,920	-1,118,495	-2,065,551
		%	1.09	1.00	1.64	0.00	16.44	00	00	00	98.0	0.08	-0.23	1.82
	Corporation Tax (Credit) Charge	\$	186,921	158,696	268,887	200	2,954,583	1	-	-	119,164	11,133	-27,278	191,231
	ıt.	%	3.32	3.02	2.93	3.28	3.39	4.90	6.53	7.83	10.92	9.75	8.56	8.57
	Interest	\$	569,110	481,688	481,688	508,114	609,100	741,512	959,290	1,189,878	1,508,245	1,328,482	1,011,236	900,681
sesuedx	tion	%	12.80	13.14	12.73	13.39	11.66	14.32	14.16	14.52	15.23	15.03	16.38	16.55
Operating Expenses	Depreciation	\$	2,193,455	2,092,923	2,092,923	2,071,862	2,096,013	2,164,693	2,079,465	2,207,017 14.52	2,103,773	2,048,198	1,935,552	1,739,523
	f Gas	%	22.34	23.63	22.89	23.92	20.05	87.6	44.76	34.04	27.42	28.91	22.79	20.42
	Purchase of Gas	\$	3,826,590 22.34	3,763,283	3,763,283	8,863,114 57.30 3,699,675 23.92	8,915,103 49.59 3,604,777 20.05	9,007,523 59.58 1,479,252	7,994,446 54.44 6,572,809	6,971,535 45.86 5,174,760 34.04	7,319,844 52.99 3,786,788 27.42	3938388 28.91	2693905	7,598,492 72.29 2,146,365 20.42
	ion and cial	%	50.84	52.59	51.40	57.30	49.59	59.58	54.44	45.86	52.99	49.47	61.97	72.29
	Administration and Commercial	S	8,709,018 50.84	8,374,265 52.59	8,449,736 51.40			9,007,523	7,994,446			6,740,587 49.47	7,324,686 61.97	
	Sources	%	100	100	100	100	100	100	100	100	100	100	100	100
	Income from all Sources	8	2014 17,131,763	15,923,765	16,439,990	2012 15,468,266 100	17,975,843 100	2010 15,117,565	14,683,807	2008 15,201,146 100	2007 13,812,714 100	2006 13,624,868	11,819,606	2004 10,510,741 100
	Year	•	2014	2013*	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004

National Petroleum Corporation Financial Statements March 31, 2014 (expressed in Barbados Dollars)





INDEPENDENT AUDITOR'S REPORT

To the Government of Barbados

We have audited the accompanying financial statements of **National Petroleum Corporation**, which comprise the balance sheet as of March 31, 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **National Petroleum Corporation** as of March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Pricewaterhouseloopers SRL February 25, 2016

Bridgetown, Barbados

Balance Sheet
As of March 31, 2014

1	(expressed	in	Barbados	dollars)	
٠,	CVDICOSCA	111	Daibados	uomansi	,

(expressed in Barbados dollars)			
	2014 \$	Restated 2013	Restated 2012
Assets	·	*	*
Current assets Cash on hand and at bank (note 4) Short term deposit (note 4) Accounts receivable (note 5) Corporation tax recoverable Inventories (note 6) Prepaid expenses	1,584,568 13,453 2,741,402 13,458 1,007,880 171,957	1,631,968 576,580 2,323,304 13,458 1,330,470 51,880	586,886 560,530 2,203,591 13,458 1,177,816 44,806
Property, plant and equipment (note 7) Investment in associated company (note 8) Deferred tax asset (note 9) Deferred expenses (note 10)	5,532,718 35,727,296 34,406,800 2,483,877 43,500	5,927,660 34,843,780 27,141,154 2,670,798 52,500	4,587,087 33,829,274 20,202,854 2,829,494 61,500
Total assets	78,194,191	70,635,892	61,510,209
Liabilities and equity			
Current liabilities Accounts payable and accrued liabilities (note 11) Due to associated company (note 12) Current portion of borrowings (note 13) Progress payments received (note 14)	5,249,926 7,462,644 1,557,033 171,185	4,886,142 6,859,511 1,286,480 86,196	4,582,137 6,374,549 1,200,000 78,458
Borrowings (note 13) Deferred lease premium (note 15) Deferred credit (note 16) Pension plan liability (note 17) Capital grants (note 18)	14,440,788 6,256,487 510,303 1,783,378 2,197,378 1,333,488	13,118,329 7,813,520 540,303 1,812,611 3,057,195 1,533,880	12,235,144 7,100,000 570,303 1,896,479 3,405,559 1,533,880
Total liabilities	26,521,822	27,875,838	26,741,365
Equity Capital contributed by Government of Barbados (note 19) Retained earnings	10,407,157 41,265,212 51,672,369	10,407,157 32,352,897 42,760,054	10,407,157 24,361,687 34,768,844
		, , , , , , , , , , , , , , , , , , , ,	
Total liabilities and equity	78,194,191	70,635,892	61,510,209

Approved by the Board of Directors on January 28, 2016

_ Director

Fund_____ Direct

National Petroleum Corporation Statement of Changes in Equity For the year ended March 31, 2014

(expressed in Barbados dollars)

	Capital contributed by		
	Government of Barbados	Retained earnings	Total \$
Balance at April 1, 2012 - as previously reported	10,407,157	24,267,364	34,674,521
Restatements (note 29)		94,323	94,323
Balance at April 1, 2012 - restated	10,407,157	24,361,687	34,768,844
Comprehensive income Net income for the year Other comprehensive loss		8,638,165 (646,955)	8,638,165 (646,955)
Total comprehensive income for the year		7,991,210	7,991,210
Balance at March 31, 2013 - restated	10,407,157	32,352,897	42,760,054
Comprehensive income for the year Net income for the year Other comprehensive loss		8,915,868 (3,553)	8,915,868 (3,553)
Total comprehensive income for the year		8,912,315	8,912,315
Balance at March 31, 2014	10,407,157	41,265,212	51,672,369

National Petroleum Corporation
Statement of Comprehensive Income
For the year ended March 31, 2014

(expressed	in	Barbados	dollars)	١
------------	----	----------	----------	---

	2014 \$	Restated 2013
Sales Natural gas	16,478,890	15,845,293
Operating expenses Production, transmission and distribution (note 20) General, administrative and commercial Depreciation (notes 7 and 25)	5,584,441 6,951,167 2,193,455	5,345,318 6,792,230 2,092,923
	14,729,063	14,230,471
	1,749,827	1,614,822
Other income (note 21)	852,452	548,198
Operating profit	2,602,279	2,163,020
Interest and other loan expenses (note 13)	(569,110)	(481,688)
Net income for the year before share of profit of associated company	2,033,169	1,681,332
Share of profit of associated company (note 8)	7,119,515	7,232,961
Income before taxation	9,152,684	8,914,293
Taxation (note 9)	(236,816)	(276,128)
Net income for the year	8,915,868	8,638,165
Other comprehensive income: Items that will not be reclassified to income:		
Remeasurements of defined employee benefits Deferred income tax release relating to components of other	(199,579)	(469,726)
comprehensive income (note 9) Share of other comprehensive income/(loss) of associated	49,895	117,432
company (note 8)	146,131	(294,661)
Other comprehensive loss for the year	(3,553)	(646,955)
Total comprehensive income for the year	8,912,315	7,991,210

National Petroleum Corporation Statement of Cash Flows

March 31, 2014

(expressed in Barbados dollars)

	2014 \$	Restated 2013
Cash flows from operating activities		
Income before taxation	9,152,684	8,914,293
Adjustments for:		
Depreciation	2,193,455	2,092,923
Amortisation of deferred expenses	9,000	9,000
Amortisation of lease premium Amortisation of deferred credit	(30,000)	(30,000)
Amortisation of capital grant	(117,031) (200,392)	(115,979)
Interest and other loan expenses	569,110	481,688
Interest income	(18,678)	(17,343)
Pension expense	560,818	579,463
Project income	(122,165)	(62,420)
Share of income of associated company	(7,119,515)	(7,232,961)
Operating profit before working capital changes	4,877,286	4,618,664
Increase/(decrease) in short term deposit	563,127	(16,050)
Increase in accounts receivable	(418,098)	(119,713)
Decrease/(increase) in inventories	322,590	(152,654)
Increase in prepaid expenses	(120,077)	(7,074)
Increase in accounts payable and accrued liabilities	363,784	304,005
Increase in amount due to associated company	603,133	484,962
Cash generated from operations	6,191,745	5,112,140
Interest and other loan expenses paid	(569,110)	(481,688)
Pension contributions paid	(1,620,214)	(1,397,553)
Progress payments received	294,952	102,269
Net cash from operating activities	4,297,373	3,335,168
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,076,971)	(3,107,429)
Interest income received	18,678	17,343
Net cash used in investing activities	(3,058,293)	(3,090,086)
Cash flows used in financing activities		
Proceeds from borrowings		2,000,000
Repayments of borrowings	(1,286,480)	(1,200,000)
Net cash (used in)/from financing activities	(1,286,480)	800,000
(Decrease)/increase in cash and cash equivalents	(47,400)	1,045,082
Cash and cash equivalents - beginning of year	1,631,968	586,886
Cash and cash equivalents - end of year	1,584,568	1,631,968

Notes to Financial Statements March 31, 2014

(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 adopted by the Corporation

IAS 1, (amendment)	'Presentation of financial statements' (effective July 1, 2012)
IAS 19, (amendment)	'Employee benefits' (effective January 1, 2013)
IFRS 12	'Disclosures of interests in other entities' (effective January 1, 2013
IFRS 13	'Fair value measurement' (effective January 1, 2013)

ii) New standards, amendments and interpretations mandatory for the first time for the financial period beginning April 1, 2013 but not currently relevant to the Corporation

'First time adoption' on government loans (effective January 1, 2013)
'Financial instrument; Disclosures on offsetting financial assets and
financial liabilities' (effective January 1, 2013)
'Consolidated financial statements' (effective January 1, 2013)
'Joint arrangements' (effective January 1, 2013)
'Fair value measurement' (effective January 1, 2013)
'Income taxes' on deferred tax (effective January 1, 2013)
'Separate financial statements' (effective January 1, 2013)
'Associates and joint ventures'
'Stripping costs in the production phase of a surface mine'

Notes to Financial Statements
March 31, 2014

(expressed in Barbados dollars)

2 Significant accounting policies ... continued

a) Basis of preparation ... continued

iii) New standards, amendments and interpretations issued but not yet effective for the financial period beginning April 1, 2013 and not early adopted

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

IAS 32	Financial Instruments: Presentation (effective on or after January 1, 2014)
IAS 36	Impairment of Assets (effective on or after January 1, 2014)
IFRS 9	Financial instruments (effective on or after January 1, 2018)

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.

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

2 Significant accounting policies ... continued

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.

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

e) Accounts payable

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

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

2 Significant accounting policies ... continued

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.

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.

Notes to Financial Statements
March 31, 2014

(expressed in Barbados dollars)

2 Significant accounting policies ... continued

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. (Note 17).

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.

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.

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

2 Significant accounting policies ... continued

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

	2014 \$	2013 \$
Cash on hand and at bank:		
Petty cash	900	900
Current accounts	869,153	1,578,357
Savings account	714,515	52,711
	1,584,568	1,631,968
Short term deposit	13,453	576,580
Significant concentrations of cash resources are as follows:		
	2014 \$	2013 \$
Republic Bank (Barbados) Limited	1,577,071	2,141,065

The interest rate on the short term deposit at year end was 1.70% (2013 - 2.95%)

The original maturity of the deposit is 365 days.

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

5 Accounts receivable

	2014 \$	2013 \$
Trade receivables:		
Customers	2,929,951	2,249,604
Servicing	593,712	603,351
	3,523,663	2,852,955
Less: Provision for impairment of receivables	(1,015,607)	(911,738)
Trade receivables - net	2,508,056	1,941,217
Other receivables	233,346	382,087
	2,741,402	2,323,304

As at year end, trade receivables of \$1,500,589 (2013 - \$1,003,647) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$1,007,467 (2013 - \$937,570) 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:

	2014 \$	2013 \$
30 to 60 days Over 90 days	852,180 155,287	932,035 5,535
	1,007,467	937,570

As at year end, trade receivables of \$1,015,607 (2013 - \$911,738) were impaired and provided for. The aging of these trade receivables is as follows:

	2014	2013
	\$	\$
Over 360 days	1,015,607	911,738

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

5 Accounts receivable ... continued

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

	2014 \$	2013 \$
Balance - beginning of year Impairment charge Reversal of provision no longer required	911,738 216,532 (112,663)	885,459 26,279
Balance - end of year	1,015,607	911,738

Direct write offs to the statement of comprehensive income in respect of impaired receivables were \$146,484 (2013 - \$88,965).

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

	2014 \$	2013 \$
Materials and supplies Provision for obsolescence	1,273,400 (274,989)	1,313,860 (137,585)
Gas Goods in transit	998,411 9,469 —————	1,176,275 9,469 144,726
	1,007,880	1,330,470

A provision for obsolescence of \$137,404 (2013 - \$Nil) was recorded during the year and is included in production, transmission and distribution expenses in the statement of comprehensive income.

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

7 Property, plant and equipment

		Gas wells, pipelines, production	Distribution		
	Land and buildings	and transmission equipment \$	Distribution, plant and equipment \$	Moveable equipment \$	Total \$
At March 31, 2012					
Cost or valuation Accumulated depreciation	5,463,189 (4,542,456)	8,460,681 (7,829,740)	67,351,398 (35,815,814)	6,366,868 (5,624,852)	87,642,136 (53,812,862)
Net book amount	920,733	630,941	31,535,584	742,016	33,829,274
Year ended March 31, 2013					
Opening net book amount Additions Disposals Depreciation on disposals Depreciation charge	920,733 36,984 - (181,586)	630,941 45,693 — (39,301)	31,535,584 2,877,042 (14,931) 14,931 (1,700,075)	742,016 147,710 — — (171,961)	33,829,274 3,107,429 (14,931) 14,931 (2,092,923)
Closing net book amount	776,131	637,333	32,712,551	717,765	34,843,780
At March 31, 2013					
Cost or valuation Accumulated depreciation	5,500,173 (4,724,042)	8,506,374 (7,869,041)	70,228,440 (37,515,889)	6,514,578 (5,796,813)	90,749,565 (55,905,785)
Net book amount	776,131	637,333	32,712,551	717,765	34,843,780
Year ended March 31, 2014					
Opening net book amount Additions Disposals Depreciation on disposals Depreciation charge	776,131 7,263 — — — — — — — — ————————————————————	637,333 107,236 — — — — (43,117)	32,712,551 2,873,524 (362) 362 (1,796,067)	717,765 88,948 - (171,510)	34,843,780 3,076,971 (362) 362 (2,193,455)
Closing net book amount	600,633	701,452	33,790,008	635,203	35,727,296
At March 31, 2014					
Cost or valuation Accumulated depreciation	5,507,436 (4,906,803)	8,613,610 (7,912,158)	73,101,602 (39,311,594)	6,603,526 (5,968,323)	93,826,174 58,098,878
Net book amount	600,633	701,452	33,790,008	635,203	35,727,296

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

7 Property, plant and equipment ... continued

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

8 Investment in associated company

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

	2014 \$	Restated 2013 \$
Balance - beginning of year Share of profit for the year Share of other comprehensive income/(loss) for the year	27,141,154 7,119,515 146,131	20,202,854 7,232,961 (294,661)
Balance - end of year	34,406,800	27,141,154

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

	Assets \$	Liabilities \$	Revenue \$	Net profit \$
2014	104,465,205	70,058,405	178,778,047	7,119,515
2013 - Restated	105,577,018	78,435,864	194,805,136	7,232,961

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

9 Deferred tax asset

	2014 \$	Restated 2013 \$
Balance - beginning of year Deferred tax charge (note 22) Deferred income tax release relating to components of other	2,670,798 (236,816)	2,829,494 (276,128)
comprehensive income	49,895	117,432
Balance - end of year	2,483,877	2,670,798
The deferred tax asset consists of the following components:		
	2014 \$	Restated 2013 \$
Delayed/(accelerated) tax depreciation Unutilised tax losses (note 23) Pension plan liability	1,220,412 6,517,718 2,197,378	(667,322) 8,293,319 3,057,195
	9,935,508	10,683,192

The expiry dates of the tax losses are disclosed in note 23. The other temporary differences have no expiry dates.

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

10 Deferred expenses

	\$
At March 31, 2012	
Cost Accumulated amortisation	108,000 (46,500)
Net book amount	61,500
Year ended March 31, 2013	
Opening net balance Amortisation	61,500 (9,000)
Closing net balance	52,500
At March 31, 2013	
Cost Accumulated amortisation	108,000 (55,500)
Net book amount	52,500
Year ended March 31, 2014	
Opening net balance Amortisation	52,500 (9,000)
Closing net balance	43,500
At March 31, 2014	
Cost Accumulated amortisation	108,000 (64,500)
Net book amount	43,500

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.

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

11 Accounts payable and accrued liabilities

	2014 \$	2013 \$
Customer deposits	1,801,496	1,651,100
Trade payables	773,726	736,725
Payroll deductions	215,250	120,074
Accrued expenses	2,459,454	2,378,243
	5,249,926	4,886,142

12 Due to associated company

The balance due to associated company arose in the normal course of business. It is interest free, unsecured and carries no fixed terms of repayment. Gas purchases from the associated company are disclosed in note 27.

13 Borrowings

		2014	2013
		\$	\$
i)	National Insurance Scheme \$3M loan	1,913,520	2,000,000
ii)	Bank of Nova Scotia \$14.4M loan	5,900,000	7,100,000
		7,813,520	9,100,000
	Current portion	(1,557,033)	(1,286,480)
			5 010 500
	Long-term portion	6,256,487	7,813,520
		2014	2013
		\$	\$
i)	National Insurance Scheme \$3M loan - total balance	1,913,520	2,000,000
	Less instalments due within twelve months and shown		
	under current liabilities	(357,033)	(86,480)
	Long-term portion	1,556,487	1,913,520

The loan is repayable in quarterly instalments of blended principal and interest of \$117,427. The loan bears interest at 6.325% (2013 - 6.325%) per annum.

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

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

13 Borrowings ... continued

		2014 \$	2013 \$
ii)	Bank of Nova Scotia \$14.4M loan - total balance	5,900,000	7,100,000
	Less instalments due within twelve months and shown under current liabilities	(1,200,000)	(1,200,000)
	Long-term portion	4,700,000	5,900,000

The loan is repayable in monthly instalments of \$100,000. The loan bears interest at 6.75% (2013 - 6%) per annum.

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

14 Progress payments received

	2014 \$	2013 \$
Balance - beginning of year Additions Taken to income Transfer to deferred credit (note 16)	86,196 294,952 (122,165) (87,798)	78,458 102,269 (62,420) (32,111)
Balance - end of year	171,185	86,196

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

15 Deferred lease premium

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

	\$
At March 31, 2012	
Deferred lease premium Accumulated amortisation	1,500,303 (930,000)
Net book amount	570,303
Year ended March 31, 2013	
Opening net balance Amortisation (note 20)	570,303 (30,000)
Closing net balance	540,303
At March 31, 2013	
Deferred lease premium Accumulated amortisation	1,500,303 (960,000)
Net book amount	540,303
Year ended March 31, 2014	
Opening net balance Amortisation (note 20)	540,303 (30,000)
Closing net balance	510,303
At March 31, 2014	
Deferred lease premium Accumulated amortisation	1,500,303 (990,000)
Net book amount	510,303

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

16 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 amortized over the same period as the capital costs to which they relate.

	2014 \$	2013 \$
Balance - beginning of year Amortisation (note 21) Additions (note 14)	1,812,611 (117,031) 87,798	1,896,479 (115,979) 32,111
Balance - end of year	1,783,378	1,812,611

Notes to Financial Statements
March 31, 2014

(expressed in Barbados dollars)

17 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 33½% 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, 2013. The actuary recommended a funding rate of 24.62% of the salaries and wages of those under the plan (8.12% to cover current service costs and 16.50% to cover the pension deficit).

	2014 \$	Restated 2013 \$
Present value of funded obligations Fair value of plan assets	15,384,132 (13,186,754)	15,179,881 (12,122,686)
Net liability at end of year	2,197,378	3,057,195
The movement in the present value of funded obligations is as follows:		
	2014 \$	Restated 2013
Present value of funded obligations, beginning of year Current service cost Past service cost Interest cost Employee contributions Benefits paid Remeasurements: Experience gains	15,179,881 334,471 29,237 1,146,334 1,099 (1,112,521) (194,369)	14,227,945 340,498 5,795 1,083,790 - (827,625) 349,478
Present value of funded obligations, end of year	15,384,132	15,179,881

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

17 Pension plan ... continued

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

<u> </u>		
		Restated
	2014	2013
	\$	2013 \$
	J	Φ
Fair value of plan assets - beginning of year	12,122,686	10,822,386
Employer contributions paid	1,620,214	1,397,553
Employee contributions	1,099	_
Benefits paid	(1,112,521)	(827,625)
Plan administration expenses	(10,000)	(10,200)
Remeasurements:		
Return on plan assets	565,276	740,572
Fair value of plan assets - end of year	13,186,754	12,122,686
·		
Movements in the net liability recognised in the balance sheet are a	s follows:	
		Restated
	2014	2013
	\$	\$
Net liability, beginning of year	2 057 105	2 405 550
Net pension expense included in the statement of	3,057,195	3,405,559
comprehensive income (note 24)	E(0.010	570 462
Remeasurements included in the statement of other	560,818	579,463
comprehensive income	199,579	469,726
Contributions paid	•	· · · · · · · · · · · · · · · · · · ·
Contributions paid	(1,620,214)	(1,397,553)
Net liability, end of year	2,197,378	3,057,195
The amount recognised in the statement of comprehensive income	is as follows:	
		Restated
	2014	2013
	\$	\$
	3	Ф
Current service cost	334,471	340,498
Net interest on the net defined benefit liability	187,110	222,970
Past service cost	29,237	5,795
Plan administration expenses	10,000	10,200
Total included in staff costs	560,818	579,463

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

17 Pension plan ... continued

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

				2014 \$	Restated 2013 \$
Remeasurements: Loss from change in assumption Experience gains Return on plan assets excluding		ed in interest exp	ense	- (194,369) 393,948	455,404 (105,926) 120,248
Total included in other compre	hensive income			199,579	469,726
Expected maturity analysis of	undiscounted pens	sion benefits:			
	Less than a year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Over 5 years \$M	Total \$M
Pension benefits	1.41	1.14	3.49	7.08	13.12
Principal actuarial assumption	s used for account	ing purposes we	re as follows:		
				2014	2013
Discount rate at end of year Future promotional salary incre Future inflationary salary incre Future pension increases Proportion of employees optin Future changes in NIS ceiling Mortality	eases	nent		7.75% 2% 3% 0% 10% 3.5% Up 94	7.75% 2% 3% 0% 10% 3.5% Up 94

Notes to Financial Statements
March 31, 2014

(expressed in Barbados dollars)

17 Pension plan ... continued

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

	Impact o	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption	
D :		3	D	
Discount rate	1%	13,950,462	17,120,321	
Salary growth rate	0.5%	15,859,441	14,963,761	
Life expectancy	1 year	16,057,389		

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

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

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

Changes in deposit administration policy yields

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

Life expectancy

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

Expected contributions for the year ending March are \$1,495,583.

The weighted average duration of the defined plan is 10.30 years.

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

18 Capital grants

		\$
At March 31, 2013		
Cost		1,533,880
Year ended March 31, 2014		
Opening net book amount Amortisation (note 21)		1,533,880 (200,392)
Closing net book amount		1,333,488
At March 31, 2014		
Cost Accumulated amortisation		1,533,880 (200,392)
Closing net book amount		1,333,488
Capital contributed by Government of Barbados		
This is comprised of:		
	2014 \$	2013 \$
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
	Year ended March 31, 2014 Opening net book amount Amortisation (note 21) Closing net book amount At March 31, 2014 Cost Accumulated amortisation Closing net book amount Capital contributed by Government of Barbados This is comprised of: Capitalised loans Capitalised interest on loans Capitalisation of land granted to the Corporation (note 7) Additional capital contributed by Government of Barbados during 1982/83 Loan principal and interest paid by Government of Barbados net of consideration for shares issued in Barbados National Oil	Year ended March 31, 2014 Opening net book amount Amortisation (note 21) Closing net book amount At March 31, 2014 Cost Accumulated amortisation Closing net book amount Capital contributed by Government of Barbados This is comprised of: 2014 \$ Capitalised loans Capitalised interest on loans Capitalised interest on loans Capitalisation of land granted to the Corporation (note 7) Additional capital contributed by Government of Barbados during 1982/83 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

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

20 Production, transmission and distribution costs

	2014 \$	2013 \$
Production Transmission	3,826,590	3,763,471
Distribution	14,232 1,803,882	10,242 1,655,413
Less:	5,644,704	5,429,126
Reimbursements through jobbing	(41,909)	(60,085)
Installation and re-connection fees In house services	(121,437) 103,083	(110,710) 86,987
	5,584,441	5,345,318
21 Other income		
	2014 \$	2013 \$
Project income	122,165	62,420
Interest	18,678	17,343
Rental income Miscellaneous income	222,078 142,108	222,078 100,378
	505,029	402,219
Amortisation of lease premium (note 15)	30,000	30,000
Amortisation of deferred credit (note 16) Amortisation of capital grant (note 18)	117,031 200,392	115,979
	852,452	548,198

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

22 Taxation

	2014 \$	Restated 2013 \$
Deferred tax charge (note 9)	236,816	276,128

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

	2014 \$	Restated 2013 \$
Income before taxation	9,152,684	8,914,293
Tax calculated at 25% (2013 - 25%) Tax effect of the following:	2,288,171	2,228,573
Expenses not deductible for tax purposes	76,540	50,255
Tax allowance claimed	(194,424)	(194,460)
Share of income of associated company	(1,779,879)	(1,808,240)
Current prior year over provision of deferred tax	(153,592)	_
	236,816	276,128

23 Tax losses

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

	Balance		Balance	
	b/f	Utilised	c/f	Expiry
Year	\$	\$	\$	date
2005	898,784	(898,784)	_	
2006	1,696,592	(876,817)	819,775	2015
2007	2,371,892	_	2,371,892	2016
2008	1,915,347	_	1,915,347	2017
2009	1,410,704		1,410,704	2018
	8,293,319	(1,775,601)	6,517,718	

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 (formerly the Commissioner of Inland Revenue).

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

24 Staff costs

25

Staff costs comprise the following:

	2014 \$	2013 \$
Salaries, wages and National Insurance Pension expense (note 17)	4,900,808 560,818	4,639,464 579,463
	5,461,626	5,218,927
The number of persons employed at year end was as follows	115	121
Expenses by nature		
	2014 \$	Restated 2013
Depreciation Gas purchased (note 27) Impairment of receivables Insurance Internal in-house services expenses (net) Land tax Legal fees Maintenance Meter reading, accounting and collection Pensions expense Gratuities Rent Salaries, wages and National Insurance Special services Supplies Travel and utilities Uniforms and safety equipment	2,193,455 3,826,590 250,353 468,555 103,083 57,875 10,409 660,065 430,798 560,818 110,584 2,319 4,900,808 137,649 795,348 332,067 51,633	2,092,923 3,763,283 115,244 465,392 86,987 57,875 19,028 570,808 457,388 579,463 110,526 9,281 4,639,464 135,771 877,384 375,526 44,924
Reimbursements through jobbing Installation and re-connection fees	14,892,409 (41,909) (121,437)	14,401,267 (60,086) (110,710)
Total operating expenses	14,729,063	14,230,471

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

26 Capital commitments

ii)

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2014/15 of \$1,985,000 (2013/14 - \$2,086,400). None of this expenditure had been contracted for at that date.

27 Related party transactions

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

		2014 \$	2013 \$
Pu	rchase of gas	3,826,590	3,763,283
	ey management comprises directors and senior management of the dividuals was as follows:	Corporation. Compe	nsation to these
		2014 \$	2013 \$
a)	Salaries and directors' fees	872,363	825,843
b)	Car loans		
	Balance - beginning of year Loan repayments received	33,206 (33,206)	68,657 (35,451)
	Balance - end of year		33,206

No provision was required in 2014 or 2013 for the car loans made to key management.

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

28 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 sole interest bearing asset is its short term deposit.

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

The Corporation's exposure to interest rates and the terms of borrowings are disclosed in notes 4 and 13.

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

	2014 \$	2013 \$
Fixed rate borrowings Variable rate borrowings	1,913,520 5,900,000	2,000,000 7,100,000
	7,813,520	9,100,000

At year end, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net income for the year would have been \$59,000 (2013 - \$71,000) lower or higher.

Notes to Financial Statements
March 31, 2014

(expressed in Barbados dollars)

28 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:

	2014	2014		2013	
	\$	%	\$	%	
Cash on hand and at bank	1,584,568	37	1,631,968	36	
Short term deposit	13,453		576,580	13	
Accounts receivable	2,741,402	63	2,323,304	51	
	4,339,423	100	4,531,852	100	

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

28 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.

Over 5 years		1			1	1 1		
Between 2 & 5 years		I	1 1	1	l	5,146,070	5,146,070	(5,146,070)
Between 1 & 2 years		1	1 1	1	I	1,949,831	1,949,831	(1,949,831)
Less than 1 year		1,584,568	13,453 2,741,402	4,339,423	2,575,222	7,462,644 2,030,831	12,068,697	(7,729,274)
Contractual cash flows		1,584,568	13,453 2,741,402	4,339,423	2,575,222	7,462,644 9,126,732	19,164,598	(14,825,175)
Carrying amount		1,584,568	13,453 2,741,402	4,339,423	2,575,222	7,462,644 7,813,520	17,851,386	(13,511,963)
	2014	Assets Cash on hand and at bank	Short term deposit Accounts receivable		Liabilities Accounts payable	Due to associated company Borrowings		Liquidity gap

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

28 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
2013	9	9	9	Ð	9	A
Assets Cash on hand and at bank Short term deposit Accounts receivable	1,631,968 576,580 2,323,304	1,631,968 576,580 2,323,304	1,631,968 576,580 2,323,304		1 1 1	1 1 1
	4,531,852	4,531,852	4,531,852		9-1	**************************************
Liabilities Accounts payable Due to accordated company	2,387,825	2,387,825	2,387,825	į.	I	ı
Borrowings	9,100,000	10,715,035	1,624,626	3,652,009	2,786,120	2,652,280
	18,347,335	19,962,370	10,871,961	3,652,009	2,786,120	2,652,280
Liquidity gap	(13,815,483)	(15,430,518)	(6,340,109)	(3,652,009)	(2,786,120)	(2,652,280)

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

28 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.

29 Restatements

a) The Corporation adopted IAS 19 (revised 2011), 'Employee benefits' on April 1, 2012. The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

b) Vacation pay accrual

The Corporation's accounts payable and accrued liabilities and retained earnings were restated to recognise the cost of accumulated vacation benefits earned over time and capable of being carried forward as required by IAS 19.

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

29 Restatements ... continued

The effects of the change to the accounting policy and the revision to the vacation pay accrual are shown in the following tables:

Impact of changes on the balance sheet

		tated Ado	opt IAS 19 vised 2011) \$	Restated 2013
2013				
Non-current assets Investment in associated company	27,398	3,494	(257,340)	27,141,154
Non-current liabilities Pension plan liability	(3,114	1,795)	57,600	(3,057,195)
Equity Retained earnings	(32,886	5,464)	533,567	(32,352,897)
	Previously stated April 1, 2012 \$	Adopt IAS 19 (revised 2011) \$	Vacation accrual \$	Restated April 1, 2012 \$
2012				
Non-current assets Investment in associated company	20,162,867	39,987	_	20,202,854
Current liabilities Accounts payable and accrued liabilities	(4,262,708)	_	(319,429)	(4,582,137)
Non-current liabilities Pension plan liability	(3,903,913)	498,354	_	(3,405,559)
Equity Retained earnings	(24,267,364)	(413,752)	319,429	(24,361,687)

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

29 Restatements ... continued

Impact of changes on the statement of comprehensive income

	For the year ended March 31, 2013	Adopt IAS 19 (revised 2011) \$	As restated for the year ended March 31, 2013
2013			
Pension plan expense	(608,435)	28,972	(579,463)
Share of profit of associated company	7,235,627	(2,666)	7,232,961
Income before taxation Taxation	8,887,987 (268,887)	26,306 (7,241)	8,914,293 (276,128)
Net income for the year	8,619,100	19,065	8,638,165
Other comprehensive loss			
Items that will not be reclassified to income: Remeasurements of defined employee benefits Deferred income tax release relating to	_	(469,726)	(469,726)
components of other comprehensive income Share of other comprehensive loss of associated	_	117,432	117,432
company		(294,661)	(294,661)
		(646,955)	(646,955)
Total comprehensive income for the year	8,619,100	(627,890)	7,991,210

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

29 Restatements ... continued

Impact of changes on the statement of changes in equity:

	Retained carnings \$
Balance as at April 1, 2012 - as previously reported	24,267,364
Actuarial gains on defined employee benefits Deferred income tax release relating to components of other	498,354
comprehensive income	(124,589)
Share of profit of associated company	39,987
Vacation pay accrual	(319,429)
	94,323
Balance as at April 1, 2012 as restated	24,361,687
Net income for the year as previously reported	8,619,100
Actuarial gains on defined employee benefits	28,972
Share of profit of associated company	(2,666)
Taxation	(7,241)
	19,065
Net income for the year as restated	8,638,165
Other comprehensive loss for the year as previously reported	
Remeasurements of defined employee benefits Deferred income tax release relating to components of other	(469,726)
comprehensive income	117,432
Share of other comprehensive loss of associated company	(294,661)
Other comprehensive loss for the year as restated	(646,955)

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

29 Restatements ... continued

	Retained earnings \$
Total comprehensive income for the year as previously reported	8,619,100
Actuarial gains on defined employee benefits Share of profit of associated company Taxation Remeasurements of defined employee benefits Deferred income tax release relating to components of other comprehensive income Share of other comprehensive loss of associated company	28,972 (2,666) (7,241) (469,726) 117,432 (294,661) (627,890)
Total comprehensive income for the year as restated	7,991,210
Balance as at March 31, 2013 as previously reported	32,886,464
Effect of restatements	(533,567)
Balance as at March 31, 2013 as restated	32,352,897

Notes to Financial Statements March 31, 2014

(expressed in Barbados dollars)

29 Restatements ... continued

c) Operating expenses

Production, transmission and distribution expenses and general, administrative and commercial expenses as recorded in the statement of comprehensive income for the year ended March 31, 2013 and the related note to the financial statements were revised as follows in respect of reclassifying distribution salaries and wages.

	Previously stated 2013 \$	Reclassification	Restated 2013
Operating expenses			
Production, transmission and	4 500 500		
distribution expenses	4,589,298	756,020	5,345,318
General, administrative and	7 5 4 9 3 5 0	(75(000)	(700 000
commercial expenses	7,548,250	(756,020)	6,792,230
Production, transmission			
and distribution costs			
Production	3,763,471	_	3,763,471
Transmission	10,242	_	10,242
Distribution	899,393	756,020	1,655,413
	4,673,106	756,020	5,429,126

30 Subsequent events

On October 30, 2014, the Cabinet of the Government of Barbados agreed to the merger of BNOCL and the Corporation. Subsequently on December 18, 2014, the Board at its meeting approved the merger, which is expected to be undertaken on a phased basis with the first phase concentrating on the merger of the administrative and back office services.



Notes

2014 Annual Report of the National Petroleum Corporation

