

Annual Report

2018

NATIONAL PETROLEUM CORPORATION





NATIONAL PETROLEUM CORPORATION

Annual Report 2018

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National Petroleum Corporation
Wilkey, St. Michael, BB11000
P.O. Box 175, Bridgetown
Barbados, West Indies
Tel: (246) 430 4000 Fax: (246) 426 4326
Email: bimgas@caribsurf.com



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 sixth Annual Report and Audited Financial Statements of the Corporation for the financial year ended March 31, 2018.

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 & VALUES



Mission Statement

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

Core Values

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

Service:

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

Honesty:

To conduct our business with honesty and integrity.

Concern:

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

Excellence:

To strive for excellence in all that we do.

Team Work:

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

BOARD OF DIRECTORS

National Petroleum Corporation



Mr. Noel Greenidge
Chairman



Mr. Ken Linton
*Retired General Manager
of National Petroleum Corporation*



Mr. Mark Parris
Director



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



Mrs. Ethnie
Bellamy-Weekes
*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
*Retired General Manager
of National Petroleum Corporation*
- Mr. Mark Parris
Director



Establishments Committee

- Mr. Noel Greenidge
Chairman
- Mr. Ken Linton
*Retired General Manager
of National Petroleum Corporation*
- Mrs. Juliet Downes-Wilson
*Representative Barbados
Workers Union*
*Representative of
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
(up to December 31, 2017)

Mr. Birchmore DeCoursey Scantlebury
General Manager (Ag)
(from January 01, 2018)

Mr. Ian Bradshaw,
Manager, Finance (Ag)
(from January 01, 2018)

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

Executive Office

Noel King
Information Technology Officer (Ag)

Technical Operations

Jamal Squires
Petroleum Engineer

Michael D. Bascombe
Superintendent (Ag)

Dave Downes
Foreman (Ag)

Michael J. Bascombe
Foreman (Ag)

Charles Price
Supervisor Drawings & Records

Human Resources & Administration

Basil Smart
Administrative Officer

Francine Forde
Human Resources Officer

Finance & Accounting

Karen Pilgrim
Asst. Accountant Costs & Budgets

Paula Gittens
Customer Service Officer

Margo Jordan
Meter Reading Supervisor (Ag)

Euclid Forde
Storekeeper

BUSINESS SUMMARY

The Barbados National Oil Company Limited (BNOCL) and the National Petroleum Corporation (NPC) have collaborated over the years on strategies aimed at optimization of Barbados' energy profile including adjustments to the local natural gas value chain. As the national cost of energy remains a significant portion of Barbados' GDP, efforts were being made to reduce the overall cost of natural gas which impacts domestic, commercial and industrial consumers and also the much-valued foreign exchange reserves. The two entities have reviewed the overall national strategy which incorporates renewable energy and natural gas as a base fuel stock and set objectives aimed at optimizing the delivery of product to all customers.

The Importation of Natural Gas project is one important element in this energy strategy, and with the success of the liquefied natural gas (LNG) importation and the one of its kind within the Eastern Caribbean regasification facility, the future appears bright in the landscape of the National Petroleum Corporation. The two entities developed strategic objectives aimed at further development of the natural gas product including several initiatives aimed at improving the services deliveries to its customers. With the US \$34 million IDB Loan in hand, the Corporation embarked on a successful promise for the future.

Some of the projects NPC and BNOCL identified to be embarked on through the Loan were:

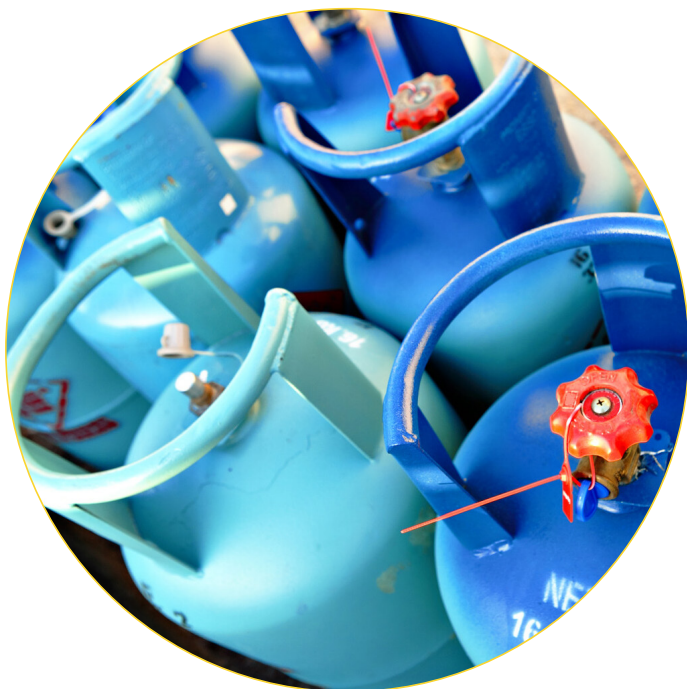
- **Small Scale LNG facility.** This was aimed at increasing the natural gas provisions to the country through bulk deliveries and with that reducing the overall cost of the gas to its customers.
- **Utility scale photovoltaic installations.** These were aimed at diversifying the portfolio as the country worked towards a 100% renewable state.
- **Geographical Information System (GIS) of the current network.** This was aimed at digitally documenting the physical infrastructure of the Corporation and by extension the BNOCL.

- **Upgrade of the supervisory control and data acquisition (SCADA)** where NPC could remotely manage the infrastructure of the field equipment.
- **Optimization of the metering system of critical customers.** This was done to improve the quality of service and reporting.
- **Automatic Meter Infrastructure** was to be implemented to launch the Corporation into a Demand-side management system with a quest to enhancing the service delivery to our customers.
- **Infrastructural repairs.** The NPC has a very old pipeline infrastructure and efforts were to be made to upgrade through replacement, repairs and realignment of this infrastructure.
- **Capacity building efforts** were to be made in every facet of the staff complement to continue to improve the service delivery to our customers.

Additionally, efforts continued in the amalgamation thrust, as the two entities along with KPMG, attempted to shepherd the integration into one stronger organization.

With the Project Execution Unit constituted, the amalgamation strategy continued and with the continual efforts towards an added valued domestic, commercial and industrial customer, BNOCL and NPC were confident that these strategic initiatives will be instrumental in the overall financial revival of both the company and the enhancement of the social and economic position of the country.

MANAGEMENT DISCUSSION AND ANALYSIS



Our Business

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

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

The Corporation's general functions 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.

TECHNICAL OPERATIONS OVERVIEW

During the fiscal year April 1, 2017 to March 31, 2018 the National Petroleum Corporation executed the following activities: -

- a) Some 0.28 Kilometres (or 0.17 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 2.28 Kilometres (or 1.42 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 151 domestic customers and 12 commercial customers with a natural gas supply. This amounts to 163 customers receiving a natural gas supply for the fiscal year;
- d) Furthermore, in circumstances arising from
 - (i) (where a private land owner withdraws their permission for having natural gas infrastructure installed on their land or
 - (ii) (where natural gas infrastructure is removed from its existing location owing to safety concerns or
 - (iii) (where there is a necessity for having the natural gas pipeline infrastructure removed from its existing location to facilitate land development, no such circumstances arose for this fiscal year and thus the Corporation did not engage any relocation of natural gas pipeline infrastructure. The cost of executing such relocation work is generally borne by the requesting party.



Gas Loss Efficiencies for Fiscal Year Ending 2018

The National Petroleum Corporation (hereinafter called “the NPC”) has generally, 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 infrastructural 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 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 back-drop, *Table 1* displays the tabulated monthly results achieved for this fiscal year.

Table 1. Gas Loss Efficiency Data

No.	Months/Years	Gas Loss as a Percentage (%)	Percentage Gas Available For Sale (%)
1	April	11.16	88.84
2	May	0	100.00
3	June	0	100.00
4	July	2.70	97.30
5	August	3.35	96.65
6	September	7.25	92.75
7	October	6.62	93.38
8	November	6.91	93.09
9	December	7.92	92.08
10	January	0.15	99.85
11	February	0.64	99.36
12	March	7.60	92.40

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 was 4.53% and 95.48% respectively. These figures have marginally varied from 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 were

- a) where the NPC infrastructure suffered damage from third parties

- b) there were unreported leaks especially within the off-road and wooded areas, and
- c) where a given month's billing cycle fell on a weekend and meter 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 2019.

FINANCIAL PERFORMANCE OVERVIEW

The financial performance of the Corporation showed a rebound after the total comprehensive loss of \$5,857,746 in the prior year. The financial year ended March 31, 2018 recorded net income before share of profit of associated company of \$259,852, which compared positively against the net loss of \$1,224,264 in the prior year. This operational profit combined with the share of the profit of the associated company (\$2,385,855) to erase the loss of \$154,266 in other comprehensive income to result in total comprehensive income of \$2,491,441.

Table 2 illustrates the comparative highlights of the statements of income for the last three years.

Appendix 2 further shows the distribution of income for the years 2008-09 to 2017-18.



Gas Sales

In July 2017, an increase in the sales tariff for the Corporation became effective. This increase along with continued strong sales in the commercial sector has resulted in a 24% increase in gas revenue. Total gas sales increased from \$22,470,478 in the current year compared to \$18,138,605 in the prior year. The active customer base increased from 21,128 in 2016-17 to 21,291 in 2017-18.

Table 3 segments the gas sales revenue.

Operating Expenses

Total operating expenses increased by 15% in the current year as compared to the prior year mainly due to increase in gas purchase expense as a greater percentage of LNG gas was used for the year.

Table 4 segments these expenses.

Table 2. Highlights of the Statements of Income 2015-16/2016-17/2017-18

All figures are expressed in thousands, unless otherwise indicated.

	2017-18	2016-17	Variance	2015-16	Variance
Gas Sales	22,470	18,139	24%	16,402	11%
Operating expenses	22,607	19,615	15%	15,850	24%
Other income	635	603	5%	749	-29%
Operating profit	498	(873)	-157%	1,404	-162%
Interest & other loan expenses	239	351	-32%	484	-27%
Net income (loss) before loss of associated company	259	(1,224)	-121%	920	-233%

Table 3. Gas Sales Revenue 2016-17/2017-18

All figures are expressed in thousands, unless otherwise indicated.

	2017-18	2016-17	Variance	Explanation
Residential	5,276	4,389	20%	Average selling price increased by 15% but marginal decrease in sales volume by 2%
Commercial	16,689	13,243	26%	Average selling price increased by 31% as well as marginal increase in sales volume by 3%
Special Rate	529	508	4%	Marginal decrease of sales volumes by 2%
	22,494	18,140	24%	
Allowances	24	2	1100%	
TOTAL	22,470	18,138	24%	

Table 4. Operating Expenses 2016-17/2017-18

All figures are expressed in thousands, unless otherwise indicated.

	2017-18	2016-17	Variance	Explanation
Production, transmission & distribution	12,690	10,262	24%	Increase in gas purchase expense as a result of the use of the more expensive LNG to supplement locally sourced gas. Increase in maintenance activities.
General, administrative & commercial	7,719	7,175	8%	Increase in pension and gratuities expenses. Increase in project expenses
Depreciation	2,198	2,178	1%	
TOTAL	22,607	19,615	15%	

Balance Sheet Highlights

At March 31, 2018, total assets of the Corporation valued \$80,254,234. *Table 5* shows the balance sheet highlights for the year.

Table 5. Balance Sheet Highlights 2016-17/2017-18

All figures are expressed in thousands, unless otherwise indicated.

	2017-18	2016-17	Variance	Explanation
ASSETS				
Cash and cash equivalents	6,489	2,973	118%	Increase in sales tariff improved sales receipts
Accounts receivable	16,122	16,097	0%	
Inventory	880	875	1%	
Due from related company	3,641	0		Sale of LNG plant to BNOCL and recoverable salaries expense for project unit
Prepaid expenses	66	58	14%	
Property, plant and equipment	33,877	37,243	-9%	Sale of LNG plant to BNOCL
Investment in associated company	19,159	16,596	15%	Share of profit of associated company
Deferred expenses	8	17	-53%	
LIABILITIES AND EQUITY				
Accounts payable and accrued liabilities	4,188	6,480	-35%	Payment of retro-active payments to staff
Due to related company	25,400	16,508	54%	Additional billings for LNG purchases
Long-term debt (including current portion)	1,878	3,709	-49%	Repayment of loans
Progress payments received	56	56	0%	
Deferred lease premium	390	420	-7%	Amortization of lease premium
Deferred credit	1,494	1,617	-8%	Transfer from progress payment and amortization of deferred credit
Pension plan liability	1,537	2,155	-29%	Pension expense and remeasurements less contributions paid
Capital grants	2,961	3,070	-4%	Amortization of capital grants
Retained earnings	31,941	29,450	8%	Net profit for the year

Statement of Cash Flow Highlights

At the end of the year ended March 31, 2018, the Corporation had increased its cash and cash equivalents by \$3,515,763. *Table 6* shows the cash flow highlights for the year.

Table 6. Cash Flow Highlight 2016-17/2017-18

All figures are expressed in thousands, unless otherwise indicated.

	2017-18	2016-17	Variance	Explanation
Cash from operating activities	7,236	4,420	64%	Suspension of payments to BNOS for the first two-thirds of financial year
Cash from investing activities	(1,891)	(1,932)	-2%	Limited extension of gas network
Cash from financing activities	(1,830)	(1,792)	2%	Repayment of loans
Increase (decrease) in cash and cash equivalents	3,515	696	405%	
Cash and cash equivalents - beginning of year	2,973	2,277	31%	
Cash and cash equivalents - end of year	6,489	2,973	118%	

HUMAN RESOURCES OVERVIEW

Over the period under review, the NPC would have engaged a loan with the Inter-American Development Bank (IDB) to facilitate the national project: *Deployment of Cleaner Fuels and Renewable Energies in Barbados*. To manage this project, a Project Execution Unit (PEU) was set up to execute the work under the scope of the IDB funded project. Work on resourcing this project began in earnest and a team of 8 persons were recruited in this aspect, ranging from Project Manager, Project Accountant, Project Engineer, Project Administrator, Project Procurement Officer, Project Officer and two GIS Technicians. Two of the team members were seconded from a statutory board and from the Government of Barbados.

During this period, the NPC continued to work on staff development and would have recruited other temporary employees to fill resource gaps as needed.

For the period under review, the NPC saw four persons retiring with tenures ranging from 15 to 37 years of service.

Staffing & Recruitment

During the year and owing to the resource needs due to operational requirements staff complement was 106 at March 31, 2018, as compared with 105 as at March 31, 2017. These numbers at year end included temporary resources who 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 continued to engage staff activities to promote and encourage employee integration in light of the proposed amalgamation between the Barbados National Oil Company and the National Petroleum Corporation. These activities included a Staff Fun Day in November and the annual Staff Christmas Luncheon in December.



Compensation & Benefits

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

Training & Development

During the financial year, training was facilitated in the following key areas: First Aid, Defensive Driving, Training in the ERP system of Kronos, among others. Overall, the number of training hours totaled 2, 279.00 hours for the review period.

Retirees

The Corporation acknowledges that its reputation is built on the service of committed employees, whose contribution has helped it to achieve its operational and strategic goals. For the period under review, the NPC saw four long-standing employees retiring with tenures ranging from 15–37 years of service.

Retirees



Margaret Vaughan
15 years of service



Tennyson Carrington
32 years of service



Riven Small
35 years of service



Charles Price
37 years of service

Recognition of Long Service Awardees

The Corporation has over the years, recognized that it is a testament to the commitment of staff that the company celebrates long service. With low turnover, there is the benefit of maintaining institutional knowledge and opportunity to invest in those who invest their time, skills and competence in organizational growth. For the period under review, the Corporation recognized long service for several staff members who qualified in various categories.

Long Service Awardees 15 years



Rico Wiltshire
Commercial Clerk

Long Service Awardees 20 years



Roger Holder
Fitter



Martin Murray
Fitter



Lerone Knight
Draughtsman



Mark Quintyne
Meter Reader



Henderson Lewis
Scada System Attendant



Lance Coppin
Fitter

RECOGNITION OF LONG SERVICE AWARDEES

Long Service Awardees 20 years



Steven Weekes
General Worker



Glen Wiggins
Maintenance and Welding Technician



Wayne Bascombe
General Worker



Ian Bradshaw
Accountant



Roosevelt Broome
General Worker



Wayne Browne
General Worker



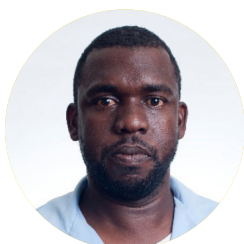
Walton Burrowes
Draughting Assistant



Reginald Cato
Stores Attendant



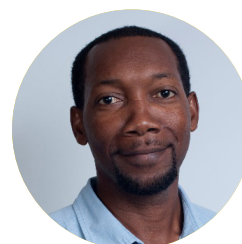
Dave Downes
Foreman (Ag)



Anderson Greene
General Worker



Ryan Harper
Meter Shop Technician



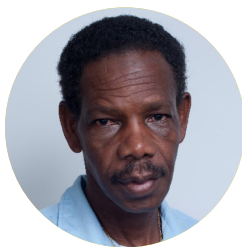
Horace Walrond
Draughting Assistant

RECOGNITION OF LONG SERVICE AWARDEES

Long Service Awardees 20 years



Winston Ifill
Stores Attendant



Joseph Grazette
General Worker

Long Service Awardees 35 years



Cheryl Mason
Accounts Clerk, General Ledger



Riven Small
Fitter



Emmerson Scott
General Worker

APPENDIX I

SUMMARY OF MAINS LAID APRIL 1, 2017 TO MARCH 31, 2018

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
St. Michael	74			94	
Christ Church	260		17.5	80	
St. Philip	407.66				

Relocation or Replacement

	Size of Main/Distance in Feet				
	1 1/4" H.P.P.E	2" H.P.P.E	3" H.P.P.E	4" H.P.P.E	6" H.P.P.E
St. Michael	1614.42		216		4784.16
St. James		101.16			
Christ Church	779				

Summary of Mains Laid

	Distance		
	Miles	Kilometres	Linear Feet
New Mains	0.18	0.28	933.16
Replacement	1.42	2.28	7494.74
Total Mains Laid	1.6	2.56	8427.90

APPENDIX II

Distribution of Income for Years 2008/09 to 2017/18

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					
		\$	%	\$	%	\$	%	\$	%	\$	%		\$	%	\$			
2018	22,950,899	100.00	9,546,306	41.59	10,862,770	47.33	2,197,573	9.58	238,664	1.04	0	0.00	105,586	0.46	2,385,855	2,491,441		
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		

* Gross of discounts and allowances

NATIONAL PETROLEUM CORPORATION

Audited Financial Statements

March 31, 2018

(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, 2018, 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, 2018;
- 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 profit of associated company on the statement of comprehensive income are amounts of \$19,159,147 (2017 - \$16,596,131) and \$2,385,855 (2017 - loss of \$1,055,986) respectively in relation to the Corporation's interest in Barbados National Oil Company Limited (BNOCL). The BNOCL in-house oil and gas reserves reports prepared as at March 31, 2018 and March 31, 2017 did not fully evaluate in-place volumes, reserves resources and project cost assumptions nor were they prepared in accordance with Society of Petroleum Engineers or Petroleum Resource Management System guidelines. As such the oil and gas reserves reported in both reports were deemed to be inconclusive. In the absence of reliable information with respect to the Group's oil and gas reserves, the associated company's auditor was unable to determine whether adjustments might have been necessary in respect of the depletion costs reported in the consolidated statement of comprehensive income and consolidated statement of cash flows, and property, plant and equipment reported in the consolidated statement of financial position for the current and prior 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'.



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 and prior 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 profit/(loss) of associated company on the statement of comprehensive income for the current year and prior 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, 2018 (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 SRH

Bridgetown, Barbados
September 20, 2019

National Petroleum Corporation

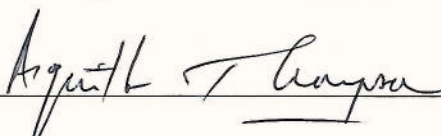
Statement of Financial Position

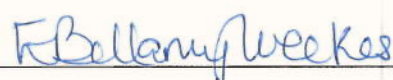
As of March 31, 2018

(expressed in Barbados dollars)

	2018 \$	2017 \$
Assets		
Current assets		
Cash on hand and at bank (note 4)	6,489,130	2,973,367
Accounts receivable (note 5)	16,121,797	16,096,857
Corporation tax recoverable	13,458	13,458
Inventories (note 6)	879,743	874,991
Due from associated company (note 11)	3,641,091	—
Prepaid expenses	65,751	58,216
	27,210,970	20,016,889
Property, plant and equipment (note 7)	33,876,617	37,242,829
Investment in associated company (note 8)	19,159,147	16,596,131
Deferred expenses (note 9)	7,500	16,500
Total assets	80,254,234	73,872,349
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	4,188,121	6,480,034
Due to related company (note 11)	25,400,346	16,507,538
Current portion of borrowings (note 12)	1,652,674	1,830,209
Progress payments received (note 13)	55,960	55,960
	31,297,101	24,873,741
Borrowings (note 12)	225,855	1,878,529
Deferred lease premium (note 14)	390,303	420,303
Deferred credit (note 15)	1,493,985	1,617,368
Pension plan liability (note 16)	1,537,188	2,155,201
Capital grants (note 17)	2,961,218	3,070,064
Total liabilities	37,905,650	34,015,206
Equity		
Capital contributed by Government of Barbados (note 18)	10,407,157	10,407,157
Retained earnings	31,941,427	29,449,986
	42,348,584	39,857,143
Total liabilities and equity	80,254,234	73,872,349

Approved by the Board of Directors on September 20, 2019

 Director

 Director

National Petroleum Corporation

Statement of Changes in Equity

For the year ended March 31, 2018

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Retained earnings \$	Total \$
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
Comprehensive loss for the year			
Net income for the year	—	2,645,707	2,645,707
Other comprehensive loss	—	(154,266)	(154,266)
Total comprehensive income for the year	—	2,491,441	2,491,441
Balance at March 31, 2018	10,407,157	31,941,427	42,348,584

National Petroleum Corporation

Statement of Comprehensive Income

For the year ended March 31, 2018

(expressed in Barbados dollars)

	2018 \$	2017 \$
Sales		
Natural gas	22,470,478	18,138,605
Operating expenses		
Production, transmission and distribution (note 19)	12,689,674	10,262,372
General, administrative and commercial	7,719,402	7,175,130
Depreciation (notes 7 and 24)	2,197,573	2,177,765
	22,606,649	19,615,267
	(136,171)	(1,476,662)
Other income (note 20)	634,687	603,444
Operating profit/(loss)	498,516	(873,218)
Interest and other loan expenses (note 12)	(238,664)	(351,046)
Net income/(loss) for the year before share of profit/(loss) of associated company	259,852	(1,224,264)
Share of profit/(loss) of associated company (note 8)	2,385,855	(1,055,986)
Net income/(loss) for the year	2,645,707	(2,280,250)
Other comprehensive income:		
<i>Items that will not be reclassified to income:</i>		
Remeasurements of defined employee benefits	(331,427)	(2,883,384)
Share of other comprehensive income/(loss) of associated company (note 8)	177,161	(694,112)
Other comprehensive loss for the year	(154,266)	(3,577,496)
Total comprehensive income/(loss) for the year	2,491,441	(5,857,746)

National Petroleum Corporation

Statement of Cash Flows

March 31, 2018

(expressed in Barbados dollars)

	2018 \$	2017 \$
Cash flows from operating activities		
Net income/(loss) for the year	2,645,707	(2,280,250)
Adjustments for:		
Depreciation	2,197,573	2,177,765
Amortisation of deferred expenses	9,000	9,000
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of deferred credit	(123,383)	(123,102)
Amortisation of capital grant	(108,846)	(93,575)
Interest and other loan expenses	238,664	351,046
Interest income	(976)	(4,648)
Pension expense	421,512	318,761
Project income	–	(27,444)
Share of (profit)/loss of associated company	(2,385,855)	1,055,986
Gain on disposal of property, plant and equipment	(26,013)	–
Operating profit before working capital changes	2,837,383	1,353,539
(Increase)/decrease in accounts receivable	(24,940)	158,612
Decrease in inventories	(4,752)	(168,959)
Increase in amount due from associated company	(554,952)	–
Increase in prepaid expenses	(7,535)	(7,633)
Decrease in accounts payable and accrued liabilities	(2,291,913)	(1,373,523)
Increase in amount due to related company	8,892,808	6,260,493
Cash generated from operations	8,846,099	6,222,529
Interest and other loan expenses paid	(238,664)	(351,048)
Pension contributions paid	(1,370,951)	(1,495,583)
Progress payments received	–	44,310
Net cash from operating activities	7,236,484	4,420,208
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,002,619)	(1,936,556)
Proceeds from disposals of property, plant and equipment	111,131	–
Interest income received	976	4,648
Net cash used in investing activities	(1,890,512)	(1,931,908)
Cash flows used in financing activities		
Repayments of borrowings	(1,830,209)	(1,791,876)
Increase in cash and cash equivalents	3,515,763	696,424
Cash and cash equivalents - beginning of year	2,973,367	2,276,943
Cash and cash equivalents - end of year	6,489,130	2,973,367

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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 2018 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 7, 'Statement of cash flows' on the disclosure initiative (effective January 1, 2017). These amendments introduce additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

ii) *New standards, amendments and interpretations mandatory for the first time for the financial period beginning April 1, 2017 but not currently relevant to the Corporation*

Amendment to IAS 12 on recognition of deferred tax assets for unrealised losses (effective January 1, 2017).

Annual improvements 2014 - 2016 to IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard (effective January 1, 2017).

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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, 2017 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.

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).

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.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

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.

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.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

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.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

h) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the 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.

l) Revenue recognition

Sales are recognised upon delivery of service to customers.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

m) Foreign currency translation

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

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

n) Cash and cash equivalents

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

3 Critical accounting estimates and judgements

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

4 Cash resources

	2018 \$	2017 \$
Cash on hand and at bank:		
Petty cash	546	1,100
Current accounts	1,200,000	1,050,000
Savings account	5,288,584	1,922,267
	<u>6,489,130</u>	<u>2,973,367</u>

Significant concentrations of cash resources are as follows:

	2018 \$	2017 \$
Republic Bank (Barbados) Limited	<u>5,243,960</u>	<u>2,387,284</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

5 Accounts receivable

	2018 \$	2017 \$
Trade receivables:		
Customers	3,125,746	3,571,748
Servicing	546,605	630,292
	3,672,351	4,202,040
Less: Provision for impairment of receivables	(890,215)	(1,231,313)
Trade receivables - net	2,782,136	2,970,727
Other receivables	341,965	128,434
Dividends receivable	12,997,696	12,997,696
	16,121,797	16,096,857

As at year end, trade receivables of \$1,933,330 (2017 - \$1,619,081) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$848,806 (2017 - \$1,351,646) 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:

	2018 \$	2017 \$
30 to 60 days	721,491	796,597
Over 90 days	127,315	555,049
	848,806	1,351,646

As at year end, trade receivables of \$890,215 (2017 - \$1,231,313) were impaired and provided for. The aging of these trade receivables is as follows:

	2018 \$	2017 \$
Over 360 days	890,215	1,231,313

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

5 Accounts receivable ...continued

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

	2018 \$	2017 \$
Balance - beginning of year	1,231,313	1,335,684
Reversal of provision no longer required	(341,098)	(104,371)
Balance - end of year	890,215	1,231,313

Direct write off to the statement of comprehensive income in respect of impaired receivables were \$217,695 (2017 - \$115).

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

	2018 \$	2017 \$
Materials and supplies	1,088,494	1,097,250
Provision for obsolescence	(231,728)	(231,728)
Gas	856,766	865,522
	22,977	9,469
	879,743	874,991

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

7 Property, plant and equipment

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	(5,261,808)	—	(8,006,531)	(43,046,081)	(5,740,194)	(62,054,614)
Net book amount	247,880	2,159,486	878,400	33,328,272	870,000	37,484,038

Year ended March 31, 2017

Opening net book amount	247,880	2,159,486	878,400	33,328,272	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	224,263	2,626,501	880,335	32,731,017	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	(5,287,059)	—	(8,060,343)	(44,975,801)	(5,909,176)	(64,232,379)
Net book amount	224,263	2,626,501	880,335	32,731,017	780,713	37,242,829

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

7 Property, plant and equipment ...continued

Year ended March 31, 2018

	Land and buildings \$	Construction in progress \$	Gas wells, pipelines, production and transmission equipment \$	Distribution, plant and equipment \$	Moveable equipment \$	Total \$
Opening net book amount	224,263	2,626,501	880,335	32,731,017	780,713	37,242,829
Additions	19,606	459,638	11,316	1,202,375	309,684	2,002,619
Disposals	—	(3,086,139)	—	—	(156,549)	(3,242,688)
Depreciation on disposals	—	—	—	—	71,430	71,430
Depreciation charge	(2,426)	—	(54,553)	(1,971,220)	(169,374)	(2,197,573)
Closing net book amount	241,443	—	837,098	31,962,172	835,904	33,876,617

At March 31, 2018

Cost or valuation	5,530,928	—	8,951,994	78,909,193	6,843,024	100,235,139
Accumulated depreciation	(5,289,485)	—	(8,114,896)	(46,947,021)	(6,007,120)	(66,358,522)
Net book amount	241,443	—	837,098	31,962,172	835,904	33,876,617

- 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 LNG plant was sold to BNOCL during the year (note 11).

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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).

	2018 \$	2017 \$
Balance - beginning of year	16,596,131	18,346,229
Share of profit/(loss) for the year	2,385,855	(1,055,986)
Share of other comprehensive income/(loss) for the year	177,161	(694,112)
Balance - end of year	19,159,147	16,596,131

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

	Assets \$	Liabilities \$	Revenue \$	Profit/ (loss) \$
2018	96,155,767	76,996,620	102,877,094	2,385,855
2017	97,125,948	80,529,817	89,883,516	(1,055,986)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

9 Deferred expenses

\$

At March 31, 2016

Cost	108,000
Accumulated amortisation	<u>(82,500)</u>
Net book amount	<u>25,500</u>

Year ended March 31, 2017

Opening net balance	25,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>16,500</u>

At March 31, 2017

Cost	108,000
Accumulated amortisation	<u>(91,500)</u>
Net book amount	<u>16,500</u>

Year ended March 31, 2018

Opening net balance	16,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>7,500</u>

At March 31, 2018

Cost	108,000
Accumulated amortisation	<u>(100,500)</u>
Net book amount	<u>7,500</u>

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

10 Accounts payable and accrued liabilities

	2018 \$	2017 \$
Customer deposits	2,220,365	2,080,651
Trade payables	864,288	515,734
Payroll deductions and costs	186,476	77,234
Other payables	88,773	—
Accrued expenses	828,219	3,806,415
	4,188,121	6,480,034

11 Related party balances

Due from:

	2018 \$	2017 \$
Barbados National Oil Company Limited (i)	2,915,902	—
National Petroleum Corporation Project Execution Unit (ii)	725,189	—
	3,641,091	—

i) The amount due from Barbados National Oil Company Limited (BNOCL) arises from the sale of a LNG Plant and is unsecured and bears no interest.

ii) The amount due from National Petroleum Corporation Project Execution Unit (PEU) arises from the payment of salaries on behalf of the PEU and is unsecured and bears no interest.

Due to:

	2018 \$	2017 \$
Barbados National Oilfield Services Limited	25,400,346	16,507,538

The balance due to Barbados National Oilfield Services Limited arose in respect of the purchase of gas in the normal course of business. It is interest free, unsecured and is normally payable within 30 days of the invoice date. Gas purchases from the related company are disclosed in note 26.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

12 Borrowings

	2018 \$	2017 \$
i) National Insurance Scheme \$3M loan	778,529	1,408,738
ii) Bank of Nova Scotia \$14.4M loan	1,100,000	2,300,000
	1,878,529	3,708,738
Current portion	(1,652,674)	(1,830,209)
Long-term portion	225,855	1,878,529

	2018 \$	2017 \$
i) National Insurance Scheme \$3M loan - total balance	778,529	1,408,738
Less instalments due within twelve months and shown under current liabilities	(552,674)	(630,209)
Long-term portion	225,855	778,529

The loan is repayable in quarterly instalments of blended principal and interest of \$176,140. The loan bears interest at 6.325% (2017 - 6.325%) per annum.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

12 Borrowings...continued

	2018 \$	2017 \$
ii) Bank of Nova Scotia \$14.4M loan - total balance	1,100,000	2,300,000
Less instalments due within twelve months and shown under current liabilities	(1,100,000)	(1,200,000)
Long-term portion	—	1,100,000

The loan is repayable in monthly instalments of \$100,000. The loan bears interest at 8% (2017 - 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:

	2018 \$	2017 \$
Balance - beginning of year	55,960	55,961
Additions	—	44,310
Taken to income	—	(27,446)
Transfer to deferred credit (note 16)	—	(16,865)
Balance - end of year	55,960	55,960

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

14 Deferred lease premium

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

\$

At March 31, 2016

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(1,050,000)</u>
Net book amount	<u>450,303</u>

Year ended March 31, 2017

Opening net balance	450,303
Amortisation (note 19)	<u>(30,000)</u>

Closing net balance	<u>420,303</u>
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At March 31, 2017

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(1,080,000)</u>

Net book amount	<u>420,303</u>
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Year ended March 31, 2018

Opening net balance	420,303
Amortisation (note 19)	<u>(30,000)</u>

Closing net balance	<u>390,303</u>
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At March 31, 2018

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(1,110,000)</u>

Net book amount	<u>390,303</u>
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National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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, the Vineyard and Lears 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.

	2018 \$	2017 \$
Balance - beginning of year	1,617,368	1,723,605
Amortisation (note 20)	(123,383)	(123,102)
Additions (note 13)	—	16,865
Balance - end of year	1,493,985	1,617,368

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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 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, 2016.

	2018 \$	2017 \$
Present value of funded obligations	17,556,074	17,216,691
Fair value of plan assets	(16,409,286)	(15,964,147)
Effect of IFRIC 14	390,400	902,657
Net liability at end of year	1,537,188	2,155,201

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

	2018 \$	2017 \$
Present value of funded obligations, beginning of year	17,216,691	15,580,735
Current service cost	354,526	319,947
Interest cost	1,291,791	1,172,130
Employee contributions	1,800	1,700
Benefits paid	(1,453,146)	(1,234,609)
<i>Remeasurements:</i>		
Experience losses	144,412	1,376,788
Present value of funded obligations, end of year	17,556,074	17,216,691

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

16 Pension plan ...continued

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

	2018 \$	2017 \$
Fair value of plan assets - beginning of year	15,964,147	15,132,095
Employer contributions paid	1,370,952	1,495,583
Employee contributions	1,800	1,700
Benefits paid	(1,453,146)	(1,234,609)
Plan administration expenses	(9,300)	(9,600)
<i>Remeasurements:</i>		
Return on plan assets	534,833	578,978
Fair value of plan assets - end of year	16,409,286	15,964,147

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

	2018 \$	2017 \$
Net liability, beginning of year	2,155,201	448,639
Net pension expense included in the statement of comprehensive income (note 23)	421,512	318,761
Remeasurements included in the statement of other comprehensive income	331,427	2,883,384
Contributions paid	(1,370,952)	(1,495,583)
Net liability, end of year	1,537,188	2,155,201

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

	2018 \$	2017 \$
Current service cost	354,526	319,947
Net interest on the net defined benefit liability	57,686	(10,786)
Plan administration expenses	9,300	9,600
Total included in staff costs	421,512	318,761

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

16 Pension plan ...continued

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

	2018 \$	2017 \$
<i>Remeasurements:</i>		
Experience losses	144,412	1,376,788
Effect of IFRIC 14	(512,258)	902,657
Return on plan assets excluding amounts included in interest expense	699,273	603,939
Total included in other comprehensive income	331,427	2,883,384

Expected maturity analysis of undiscounted pension benefits:

	Less than a year \$M	Between 1-2 years \$M	Between 2-5 years \$M	Over 5 years \$M	Total \$M
Pension benefits	1.35	1.54	4.33	6.53	13.75

Principal actuarial assumptions used for accounting purposes were as follows:

	2018	2017
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	3.5%	3.5%
Mortality	UP 94 at 2018 with Projection Scale AA	UP 94 at 2017 with Projection Scale AA

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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%	15,887,437	19,585,380
Salary growth rate	0.5%	18,140,046	17,026,171
Life expectancy	1 year	18,311,947	

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

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

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

Changes in deposit administration policy yields

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

Life expectancy

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

Expected contributions for the year ending March 31, 2019 are \$1,495,583.

The weighted average duration of the defined plan is 10.53 years.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

17 Capital grants

\$

Year ended March 31, 2017

Opening net book amount	3,163,639
Amortisation (note 20)	<u>(93,575)</u>
Closing net book amount	<u>3,070,064</u>

At March 31, 2017

Cost	3,492,469
Accumulated amortisation	<u>(422,405)</u>
Closing net book amount	<u>3,070,064</u>

Year ended March 31, 2018

Opening net book amount	3,070,064
Amortisation (note 20)	<u>(108,846)</u>
Closing net book amount	<u>2,961,218</u>

At March 31, 2018

Cost	3,492,469
Accumulated amortisation	<u>(531,251)</u>
Closing net book amount	<u>2,961,218</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

18 Capital contributed by Government of Barbados

This is comprised of:

	2018 \$	2017 \$
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

	2018 \$	2017 \$
Production	10,862,770	8,427,971
Transmission	4,150	1,306
Distribution	1,959,408	2,053,159
	12,826,328	10,482,436
Less:		
Reimbursements through jobbing	(20,905)	(171,476)
Installation and re-connection fees	(139,345)	(104,736)
In house services	23,596	56,148
	12,689,674	10,262,372

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

20 Other income

	2018 \$	2017 \$
Project income	–	27,444
Interest	976	4,648
Rental income	222,078	222,078
Miscellaneous income	149,404	102,597
	372,458	356,767
Amortisation of lease premium (note 14)	30,000	30,000
Amortisation of deferred credit (note 15)	123,383	123,102
Amortisation of capital grant (note 17)	108,846	93,575
	634,687	603,444

21 Taxation

	2018 \$	2017 \$
Net income/(loss) for the year	2,645,707	(2,280,250)
Tax calculated at 30% (2017 - 25%)	793,712	(570,063)
Tax effect of the following:		
Tax losses expiring not utilised	156,096	478,837
Expenses not deductible for tax purposes	22,688	292,279
Tax allowance claimed	(140,528)	(114,333)
Income not subject to tax	(751,219)	(23,394)
Movement in deferred tax asset not recognised	(80,749)	(63,326)
	–	–

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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:

	2018 \$	2017 \$
Delayed tax depreciation	9,551,126	7,460,145
Unutilised tax losses (note 22)	1,121,755	2,532,459
Pension plan liability	1,537,188	2,155,201
	12,210,069	12,147,805
Deferred tax asset at corporation tax rate of 30% (2017 - 25%)	3,663,021	3,036,951

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 \$	Utilised \$	Expired \$	Balance c/f \$	Expiry date
2009	1,410,704	(890,384)	(520,320)	—	
2015	352,633	—	—	352,633	2022
2017	769,122	—	—	769,122	2024
	2,532,459	(890,384)	(520,320)	1,121,755	

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

23 Staff costs

Staff costs comprise the following:

	2018 \$	2017 \$
Salaries, wages and National Insurance	5,396,748	5,731,035
Retro-active pay	—	64,965
Pension expense (note 16)	421,512	318,761
	5,818,260	6,114,761
The number of persons employed at year end was as follows	105	105

24 Expenses by nature

	2018 \$	2017 \$
Depreciation	2,197,573	2,177,765
Gas purchased (note 26)	10,862,770	8,427,971
Impairment of receivables	(123,403)	(104,256)
Insurance	386,642	433,178
Internal in-house services expense (net)	23,596	56,115
Land tax	81,025	81,025
Legal fees	2,400	5,400
Maintenance	1,110,703	787,737
Meter reading, accounting and collection	205,866	203,045
Pensions expense	421,512	318,761
Gratuities	163,521	28,810
Rent	1,542	1,542
Salaries, wages and National Insurance	5,396,748	5,731,035
Retro-active pay	—	64,965
Special services	186,604	216,346
Supplies	472,584	496,448
Security expenses	129,032	113,049
Other expenses	955,074	566,860
Travel and utilities	259,769	241,157
Uniforms and safety equipment	33,341	44,501
	22,766,899	19,891,454
Reimbursements through jobbing	(20,905)	(171,451)
Installation and re-connection fees	(139,345)	(104,736)
Total operating expenses	22,606,649	19,615,267

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

25 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2018/19 of \$2,065,000 (2017/18 - \$2,539,100). 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.

	2018 \$	2017 \$
Purchase of gas	<u>10,862,770</u>	<u>8,427,971</u>

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

	2018 \$	2017 \$
Salaries	829,311	610,371
Directors' fees	<u>44,600</u>	<u>53,600</u>
Balance - end of year	<u>873,911</u>	<u>663,971</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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 notes 4 and 12.

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

	2018 \$	2017 \$
Fixed rate borrowings	1,100,000	2,300,000
Variable rate borrowings	778,529	1,408,738
	<u>1,878,529</u>	<u>3,708,738</u>

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 \$7,785 (2017 - \$14,087) lower or higher.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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:

	2018		2017	
	\$	%	\$	%
Cash on hand and at bank	6,489,130	52	2,973,367	50
Accounts receivable	2,782,136	19	2,970,727	50
Due from associated company	3,641,091	29	—	—
	12,912,357	100	5,944,094	100

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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.

2018

Assets

Cash on hand and at bank	6,489,130	6,489,130	—	—	—
Accounts receivable	2,782,136	2,782,136	—	—	—
Due from associated company	3,641,091	3,641,091	—	—	—

	12,912,357	12,912,357	—	—	—
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Liabilities

Accounts payable	3,084,653	3,084,653	—	—	—
Due to related company	25,400,346	25,400,346	—	—	—
Borrowings	1,878,529	1,965,990	234,853	—	—

	30,363,528	30,450,989	234,853	—	—
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Liquidity gap	(17,451,171)	(17,538,632)	(17,295,779)	—	—
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National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(expressed in Barbados dollars)

27 Financial risk management ...continued

c) Liquidity riskcontinued

2017

Assets

Cash on hand and at bank
Accounts receivable

Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$
2,973,367	2,973,367	2,973,367	—	—	—
2,970,727	2,970,727	2,970,727	—	—	—
5,944,094	5,944,094	5,944,094	—	—	—
Liabilities					
2,596,385	2,596,385	2,596,385	—	—	—
16,507,538	16,507,538	16,507,538	—	—	—
3,708,738	4,010,550	2,044,560	1,965,990	—	—
22,812,661	23,114,473	21,148,483	1,965,990	—	—
(16,868,567)	(17,170,379)	(15,204,389)	(1,965,990)	—	—
Liquidity gap					
				—	—

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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:

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

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2018

(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 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.
- iv) On June 14, 2017, the Government of Barbados (GOB) signed a Loan Contract with the Inter-American Development Bank (IDB) in the amount of US\$34,000,000 for the financing and execution of the Deployment of Cleaner Fuels and Renewable Energies in Barbados Loan No. 3843/OC-BA (the "Project").

The Project includes three components of which Component 2 and Subcomponent 3.1 include actions that will benefit the Corporation and BNOCL jointly.

The GOB subsequently entered into an on-lending agreement with the Corporation which was executed on January 8, 2019 with an effective date of November 15, 2018. This agreement obligates the Corporation to repay the amounts lent up to a maximum of US\$34,000,000.

The Corporation subsequently entered into a repayment agreement with BNOCL which formalises the allocation of interest and principal repayments relating to the loan between the Corporation and BNOCL according to the utilisation of the loan resources.

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NATIONAL PETROLEUM CORPORATION

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