

Annual Report 2010

NATIONAL PETROLEUM CORPORATION



NATIONAL PETROLEUM CORPORATION

ANNUAL REPORT

April 2009 – March 2010

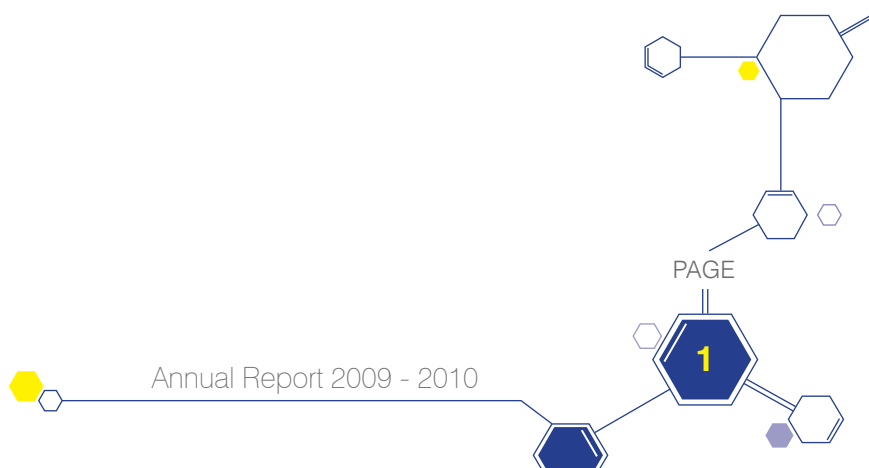
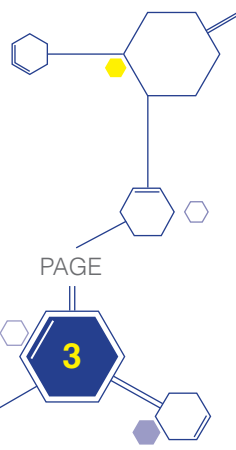






TABLE OF CONTENTS

MISSION STATEMENT	4
CORPORATE VALUES	4
LETTER OF TRANSMITTAL	5
THE BOARD OF DIRECTORS	6
COMMITTEES OF THE BOARD OF DIRECTORS	9
PRINCIPAL OFFICERS	10
CHAIRMAN'S REPORT	11
SUMMARY OF THE FINANCIALS	13
MANAGEMENT DISCUSSION & ANALYSIS	14
FINANCIAL STATEMENTS	27





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.

CORPORATE VALUES

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

- ☐ **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.
- ☐ **Excellence:** To strive for excellence in all that we do.
- ☐ **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.
- ☐ **Honesty:** To conduct our business with honesty and integrity.
- ☐ **Service:** To provide the best possible service always remembering that what is done and the way it is done vitally affects the thousands of customers who depend on our service.

National Petroleum Corporation
Wilkey, 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
January 28th 2014

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

Dear Sir

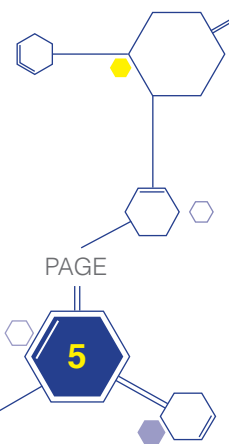
Letter of Transmittal

Pursuant to Sections 16 and 19 of the National Petroleum Corporation Act Cap. 280, we have the honour to submit the twenty-eighth annual report and audited financial statements of the Corporation for the financial year ended March 31 2010.

We note that the Auditors have forwarded to you on 17th August 2012 the audited accounts and financial statements of the Corporation in accordance with section 16(5) of the Act.

Yours faithfully
NATIONAL PETROLEUM CORPORATION

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





THE BOARD OF DIRECTORS



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



Mr. Noel Greenidge
Deputy Chairman



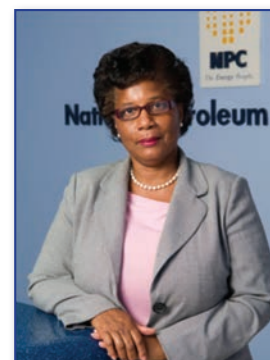
Mr. Ken Linton
Director



Miss Juliet Downes
Director



Dr. Leonard Nurse
Chairman of
Barbados National Oil
Company Limited
Director



Ms. Doreen Johnson
Director



THE BOARD OF DIRECTORS



Mr. Mark Parris
Director



Mr. John Wilson
Director



Mr. Hutson Carrington
Director



Mr. David Giles
Representative Barbados
Workers Union
Director



Mr. Ronald Bascombe
Permanent Secretary
Division of Energy
& Telecommunications
Director



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



Ms. Hazel Gittens
Representative of Permanent
Secretary, Finance
Director



Ms. Laura Rudder
Corporate Secretary



LEGAL COUNSEL

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

AUDITORS

PricewaterhouseCoopers
Chartered Accountants

BANKERS

Barbados National Bank Inc
First Caribbean International (Barbados) Limited
Scotiabank



COMMITTEES OF THE BOARD OF DIRECTORS

FINANCE COMMITTEE

Sir Harcourt Lewis - Chairman

Mr. Noel Greenidge

Mr. Mark Parris

Representative of the Division of Energy and Telecommunications

Representative of Permanent Secretary, Finance

ESTABLISHMENTS COMMITTEE

Sir Harcourt Lewis - Chairman

Noel Greenidge

Mr. Ken Linton

Mr. Juliet Downes

Mr. David Giles

Representative of Division of Energy

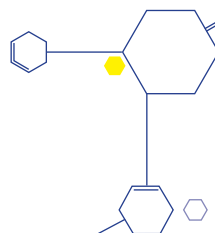
TECHNICAL COMMITTEE

Sir Harcourt Lewis - Chairman

Mr. Ken Linton

Dr. Leonard Nurse

Mr. John Wilson



PAGE

9





PRINCIPAL OFFICERS

Mr. James Browne

General Manager

Ms. Mechelle Smith

Manager – Human Resources and Administration

Mr. Birchmore Scantlebury

Manager – Finance

Mr. Roger Martindale

Manager – Technical Operations

Mr. Carlos Carter

Senior Project Officer / Technical Officer

Mr. Wesley Holder

Technical Officer/Service Installations Coordinator

CHAIRMAN'S REPORT

Financial year 2009/2010 was a pivotal year for the NPC, having attained a period of profitability for the first time in eight years. Efforts made to improve our operational capacity and efficiencies have started to bear fruit. Special thanks are extended on behalf of the Board of Directors to our team of dedicated workers for their contributions during the year.

Although the Corporation was able to achieve a profit this year, the past years increases in the commodity price of crude oil had a cascading affect on the price of services which severely impacted not only the profitability but also the Corporation's cash flow position.

NPC's cash flow was already being negatively impacted by the rising cost of natural gas rates over the last fifteen years. In fact, the average purchase price of natural gas from the Barbados National Oil Company Limited (BNOCL) stood at \$11.51/mcf in 2009/2010; approximately 53% higher than the breakeven cost of natural gas for the Corporation.

One other consideration impacting NPC's financial position is the selling price of natural gas which has been fixed since 1994 for commercial entities (which constitutes approximately 80% of the corporation's revenue) and 2002 for domestic customers.

In order to offer NPC some financial relief, the Cabinet, on May 19, 2011 agreed that the Barbados National Oil Co. Ltd. should sell natural gas to the National Petroleum Corporation at a fixed price of \$7.50/mcf with effect from June 1, 2008 for a period of three years.

However, although the Corporation can see some semblance of profitability, the problem of cash flow still exists. The Corporation needs a revised price mechanism, which addresses market conditions and any global changes that impact local pricing.

Natural Gas Expansion-Domestic customers:

During the financial year 2009/2010, the National Petroleum Corporation completed civil works necessary to facilitate the expansion of the natural gas infrastructures in twelve projects at a cost of \$1.27 million. The overall cost for the expansion which provided natural gas to an additional 667 homes was \$1.76 million; down from the \$2.049 million spent in the previous financial year.



Sir Harcourt Lewis

CGM, JP, DPA, FIBA



Commercial Initiatives/Business Development Projects:

Natural Gas Developments in the Transportation Sector:

Plans are in place for Phase II of the natural gas transportation initiative which commenced with the purchase of a new, faster compressor. This commercially graded compressor will fill the storage tank in a 70 litre equivalent vehicle in two hours versus the 9.5 hours that entails in the home compressor (Phil) unit. This project is anticipated to be completed in early 2011.

Natural Gas Developments in the Air Conditioning:

The Crane Beach Hotel in St. Philip is our largest user of natural gas for air conditioning and is proposing to commission an additional 248 tonnes of air conditioning fueled by natural gas in September of 2010. Empirical evidence has shown that significant savings can be realized when air conditioning units utilize natural gas instead of electricity to power the compression stages of the refrigeration process. The Corporation is hopeful that when more gas becomes available, other entities will convert their air conditioning systems to natural gas.

Coverley Project, Christ Church:

Caribbean Homes, Thurban, Six Roads, St. Philip began Phase I construction of 1040 homes which are to be provided with natural gas for both cooking and clothes drying. Fifty six of the initial homes were completed during the year under review.

Business Development Project-Ministry of Housing and Lands:

The Corporation continued to work with the Ministry of Housing and Lands and the National Housing Corporation in the development of housing projects. Projects were undertaken in the areas of Lancaster - Phase I & II and West View, West Terrace in St. James, Parish Land, St. Philip and Country Road, St. Michael.

Importation of Natural Gas Project:

The Corporation also continued to work with the Ministry of Energy and Telecommunications in developing the project to import natural gas. In February 2010, the Cabinet of Barbados agreed to the importation of natural gas by pipeline. This gas is to be imported by the Barbados National Oil Company Limited and is to be sold to the National Petroleum Corporation who will then provide the Barbados Light and Power Company Limited and other businesses and homes via its internal transmission and distribution pipeline system.



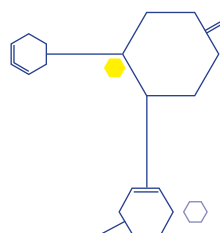
Human Resource Development:

During the year under review human resource development played a vital role in our operations. Key objects established in the area include

- Upholding the highest standards of occupational health and safety and productive employment practices.
- Providing the facilities and conditions of work for the creation of an environment that maintains organizational stability and promotes the integration of individuals and groups.
- Building human resource capital through the maintenance of training and development initiatives.
- Enhancement of the payroll and HR management systems through the extension of our ERP system to include Payroll and interface with a time and attendance system.

SUMMARY OF THE FINANCIALS

	2009	2010
Profit / Loss (Deficit)	(\$2,922,203)	1,724,585
Gas Purchased	\$6,572,089	1,479,252
Gas Sales	\$14,257,423	14,659,376
Total Revenue	\$14,683,807	15,117,565
Cost of Expansion Services	\$1,671,976	\$1,461,611
Connections During Year	770	667
Active Customers At Year End	17,986	18,713





MANAGEMENT DISCUSSION & ANALYSIS

The Board of Directors of the National Petroleum Corporation submits its twenty-seventh Annual Report together with the audited financial statements for the year ended March 31 2010.

Constitution And Purpose Of The Corporation

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

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

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

The Corporation was managed by a Board of Directors, which comprised eleven members under the chairmanship of Sir Harcourt Lewis, who was appointed for a period of three (3) years, effective March 2008.

The duties of Secretary to the Corporation were performed by Miss Laura Rudder with effect from May 2010.

Remuneration of Members

Section 19 (2) (d) of Act, Cap 280

The remuneration paid by the Corporation to its members during the accounting year 2009/2010 totalled \$44,060 and was in accordance with the rates fixed by the Government of Barbados.

Operations

During the year 16,185 feet 6 inches (4.94 km or 3.07 miles) of gas distribution mains were laid. The areas in which the mains were laid are shown in Appendix I. The Corporation installed six hundred and sixty-seven (667) new services.

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

Capital Expenditure

Capital expenditure for the year totalled \$1,765,511 under the following heads.

	\$
Land and Buildings	41,141
Gas Wells, Pipelines, Production and Transmission Equipment	908
Distribution Plant and Equipment	1,461,611
Moveable Equipment and Furniture	261,851

Table 1 Capital Expenditure

Gas Supply

The Corporation purchased 13,503,953 standard cubic metres of gas from its supplier, the BNOCL. The Corporation's Well #19 produced 1134 standard cubic metres.

Gas Reserves

According to information supplied by the Ministry of Energy, the gas reserves as at March 31 2010 were estimated to be 3.875 billion standard cubic feet or 109.7 million standard cubic metres.

Gas Sales

The total volume of gas sold during 2009/2010 was 12,001,105 standard cubic metres as compared with 11,365,777 standard cubic metres during 2008/2009, an increase of 635,328 standard cubic metres or 5.59%.

Residential sales showed an increase of 98,470 standard cubic metres from 2,468,169 standard cubic metres to 2,566,639 standard cubic metres or 3.99%.

Commercial sales increased by 516,931 standard cubic metres from 6,973,948 standard cubic metres to 7,490,879 standard cubic metres or 7.41%.

Total sales to special rate customers BL&P and the Queen Elizabeth Hospital (laundry boiler) totalled 1,647,161 an increase of 27.67%.



The value of sales to BL&P increased by \$71,628 from \$497,471 in 2008/2009 to \$569,099 or approximately 14.40%. The volume of gas increased 144,149 standard cubic metres from 527,093 standard cubic metres to 671,242 standard cubic metres or 27.35%. The average selling price per cubic metre was \$ 0.85 as compared with \$0.94 in 2008/2009, a decrease of \$0.09 per cubic metre or 9.57%.

The Queen Elizabeth Hospital recorded an increase of 211,747 standard cubic metres in the volume of sales from 759,172 standard cubic metres to 970,919 standard cubic metres or 27.89% in 2009/2010.

Gas Purchases

On May 19, 2011 the Government of Barbados approved a retroactive rate of 26.48 cents per cubic meter for the purchase of natural gas from the related company Barbados National Oilfield Services Company Limited for the three year period effective June 1, 2008 to May 31, 2011. This purchase price represents a decrease of 39.91% from 44.09 cent per cubic meters in the previous year.

Income and Expenditure

The Corporation recorded a surplus of \$1,724,585 in 2009/2010 compared to a deficit of (\$2,922,203) in 2008/2009. This increase resulted mainly from a reduction in the purchase price of gas. During the year 2009/2010, the Corporation's share of the losses recorded exceeded the Corporation's interest in BNOCL however, the investment in the associated company was fully written off during the year.

Operating expenses including purchase of gas, depreciation and interest charges, totalled \$12,651,468. Total income from all sources was \$15,117,565.

Staff

The staff complement as at March 31 2010 was 114 as compared with 116 as at March 31 2009.

Pensions (Insurance Corporation of Barbados)

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

During the period under review an additional three members retired and the present value of the plan at the end of the year totaled \$14,811,987.



CONGRATULATIONS SIR!

NPC salutes Sir Harcourt Lewis on becoming Barbados' newest Knight.

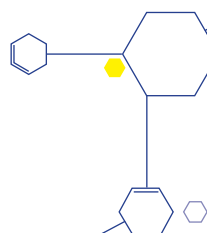


On January 01 2010 Sir Harcourt Lewis achieved the highest accolade from Her Majesty Queen Elizabeth II in her New Year's Honours List.

Sir Harcourt holds a very special place in the history of NPC, as among his many accolades he:

- *Became NPC's first Executive Director in 1982*
- *Currently serves as Chairman*

On behalf of the Fellow Directors and Staff of the National Petroleum Corporation, we warmly congratulate you on this latest achievement. We are proud of your contributions to the country of Barbados!!

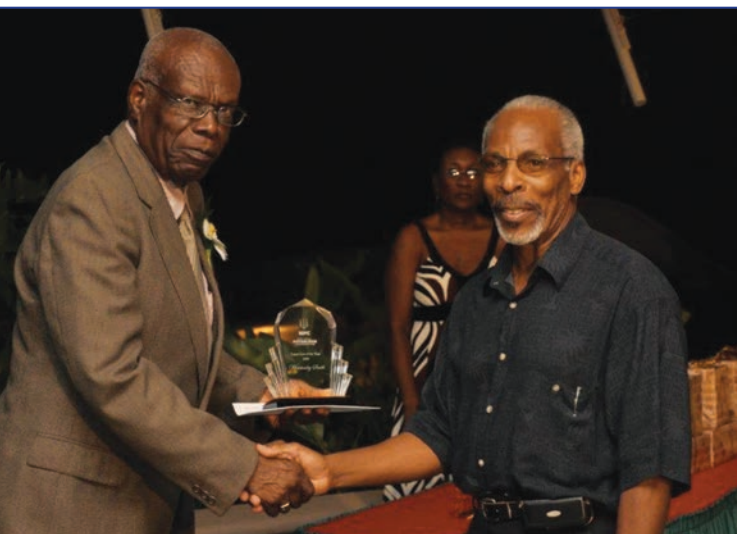


REWARDS AND RECOGNITION SCHEMES

Employee of the Month

The Employee of the Month/Year Programme rewards employees who had demonstrated that they had gone beyond the call of duty and performed exceptionally well. There were ten (10) nominees for the period in review. Certificates were issued each month to the Employee of the Month along with a voucher or monetary award. The category of “Supervisor of the Year” was introduced during this period with Mr. Whitstanley Smith – Superintendent taking this coveted award. Mr. Smith’s worthy opponent for this title was Mr. Charles Price – Supervisor Drawing Office.

The **Employee(s) of the Year** Ms. Paula Gittens was chosen from among the Employees of the Month during the year.



Mr. Whitstanley Smith – Superintendent taking this coveted award.



Employee(s) of the Year Ms. Paula Gittens.

Retirements

The Board wishes to record its appreciation of the contributions of its retirees for this period - Mr. John Smith – Heavy Duty Driver/Team Leader and Mr. Wayne Lovell - Meter Reader.

Christmas Dinner and Awards Ceremony

At the annual staff dinner held at the Accra Beach Hotel on December 12, 2009, the Corporation honoured three (3) retirees and twenty-two (22) employees. Of the latter, sixteen (16) employees received long service awards in the 35, 30, 25, 20 and 15 years categories, four (4) received awards for perfect attendance, one (1) received Supervisor

of the Year and one (1) received Employee of the Year. The Chairman of the Board gave the feature address.

Employees were also awarded for Perfect Attendance for the period and they were namely:

Miss Merline Phipps
Mr. Euclid Forde
Mr. Basil Smart
Mr. Noel King

Employee Appreciation Day

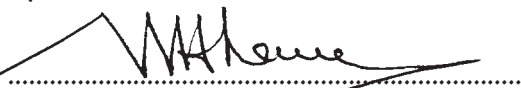
On October 23 2009 the Corporation recognised its staff by having an Employee Appreciation Day. Members of staff were treated to health and wellness activities, an aerobics session, karaoke and inter-house competitions in various disciplines: road tennis, hearts and dominoes, relay races, lime and spoon race, three-legged races and tug-o-war. During the week of October 19 to 23 2009 which was allocated as Employee Appreciation Week, staff were additionally treated to product samplings, lectures and health checks provided by a number of institutions and personnel who graciously gave of their time and expertise in the allocated areas. The overall successful winner in the inter-house competitions was Red House with top male and female competitors being Joseph Grazette and Karen Bynoe respectively.

Staff Training and Development

During the year under review 49% of staff members benefited from training opportunities facilitated by the Corporation. In keeping with the Corporation's commitment to promote employee growth and development, employees at all levels and of all competencies participated in courses and seminars.

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

By Order of the Board



Sir Harcourt Lewis, CGM, JP, DPA, FIBA
Chairman



APPENDIX 1

SUMMARY OF MAINS LAID APRIL 1 2009 TO MARCH 31 2010

LOCATION	SIZE OF MAIN	DISTANCE
Black Rock - Lazetto (R)	4" H.P. P.E.	337'-4"
Blackmans Road	1 1/4" H.P. P.E.	405'-0"
Blackmans Road	2" H.P. P.E.	3'-9"
Bush Hall - Richard Land	1 1/4" H.P. P.E.	871'-8"
Clermont Road	3" H.P. P.E.	9'-6"
Deacons Road	1 1/4" H.P. P.E.	22'-1"
Holder Land	2" H.P. P.E.	180'-0"
Observatory Road	2" H.P. P.E.	42'-9"
Queen Elizabeth Hospital	4" H.P. P.E.	13'-0"
Queen Elizabeth Hospital	4" H.P. Steel	42'-2"
River Road (R)	2" L.P. P.E.	139'-0"
Thompson Gap No. 1	1 1/4" H.P. P.E.	29'-6"
Thompson Gap No. 2	1 1/4" H.P. P.E.	15'-0"
Upton - Highway "R"	3" H.P. P.E.	163'-6"
Warrens (R)	3" H.P. P.E.	52'-11"
Warrens (R)	4" H.P. Steel	7'-0"
Warrens	3" H.P. P.E.	635'-2"
White Hill - Nicholl Land	2" H.P. P.E.	347'-1"
Christ Church		
Bournes Land	1 1/4" H.P. P.E.	293'-0"
Cane Vale #4	2" H.P. P.E.	453'-6"
Cane Vale #4	3" H.P. P.E.	13'-2"

APPENDIX 1

SUMMARY OF MAINS LAID APRIL 1 2009 TO MARCH 31 2010 *cont'd*

LOCATION	SIZE OF MAIN	DISTANCE
Charnocks No. 1	1 1/4" H.P. P.E.	5'-6"
Charnocks No. 1	2" H.P. P.E.	1899'-9"
Church Hill Development	2" H.P. P.E.	20'-8"
Church Hill Gap	1 1/4" H.P. P.E.	387'-3"
Church Hill Road	3" H.P. P.E.	3288'-0"
Dover (R)	2" L.P. P.E.	55'-11"
Fordes Road	3" H.P. P.E.	1638'-0"
Kingsland Terrace - 12th Ave (R)	1 1/4" H.P. P.V.C.	26'-10"
Maxwell Garden	1 1/4" H.P. P.E.	1092'-6"
Peronne Gap	2" H.P. P.E.	301'-3"
Plantain Walk	1 1/4" H.P. P.E.	10'-0"
Simmons Land	2" H.P. P.E.	1101'-4"
St. James		
Glitter Bay	2" H.P. P.E.	498'-3"
Judy Thomas Gap (R)	1 1/4" H.P. P.E.	63'-11"
St. Thomas		
Blower (R)	2" H.P. Steel	231'-0"
Fire Hill (R)	2" H.P. Steel	168'-0"
Millennium Heights (R)	2" H.P. Steel	441'-0"
Plumtree (R)	2" H.P. Steel	215'-0"
Redman Village - 3rd Ave	1 1/4" H.P. P.E.	250'-0"
Redman Village #3	1 1/4" H.P. P.E.	12'-0"



SUMMARY OF MAINS LAID
APRIL 1 2009 TO MARCH 31 2010 *cont'd*

LOCATION	SIZE OF MAIN	DISTANCE
Redman Village #5	1 1/4" H.P. P.E.	319'-3"
St. Andrew		
Apes Hill (R)	2" H.P. Steel	84'-0"
Replacement (R)	0.35 mls / 0.56 km	1821'-11"
Distribution	2.72 mls / 4.38 km	14363'-7"
Total Mains Laid	3.07 mls / 4.94 km	16185'-6"

APPENDIX II

Distribution of Income 2000/2001 to 2009/2010

NATIONAL PETROLEUM CORPORATION



Year	* Income from all sources		Operating Expenses												Net Income (Deficit)				Share Profit (Loss) Associated Co. (BNOCL)	Net Income (Deficit) For Year
			Administration and Commercial		Purchase of Gas		Depreciation		Interest Charges		Corporation Tax (Credit) Charge		Before Share Profit (Loss) Associated Co. (BNOCL)							
											\$	%			\$	%	\$	%		
2010	15,117,565	100.00	9,007,523	59.58	1,479,252	9.78	2,164,693	14.32	741,512	4.90	0	0.00	1,724,585	11.41	0	1,724,585				
2009	14,683,807	100.00	7,994,446	54.44	6,572,809	44.76	2,079,465	14.16	959,290	6.53	0	0.00	(2,922,203)	(19.90)	0	(2,922,203)				
2008	15,201,146	100.00	6,971,535	45.86	5,174,760	34.04	2,207,017	14.52	1,189,878	7.83	0	0.00	(342,044)	(2.25)	(15,470,210)	(15,812,254)				
2007	13,812,714	100.00	7,319,844	52.99	3,786,788	27.42	2,103,773	15.23	1,508,245	10.92	119,164	0.86	(1,025,100)	(7.42)	452,434	166,050				
2006	13,624,868	100.00	6,740,587	49.47	3,938,388	28.91	2,048,198	15.03	1,328,482	9.75	11,133	0.08	(441,920)	(3.24)	(1,834,178)	(2,276,098)				
2005	11,819,606	100.00	7,324,686	61.97	2,693,905	22.79	1,935,552	16.38	1,011,236	8.56	(27,278)	(0.23)	(1,118,495)	(9.46)	(3,159,630)	(4,278,125)				
2004	10,510,741	100.00	7,598,492	72.29	2,146,365	20.42	1,739,523	16.55	900,681	8.57	191,231	1.82	(2,065,551)	(19.65)	445,170	(1,620,381)				
2003	11,286,582	100.00	6,730,900	59.64	2,339,535	20.73	2,608,841	23.11	625,762	5.54	181,850	1.61	(1,200,306)	(10.63)	(665,510)	(1,865,816)				
2002	11,392,624	100.00	6,958,304	61.08	2,108,895	18.51	2,615,724	22.96	735,267	6.45	1,250,677	10.98	(2,276,243)	(19.98)	4,653,660	2,377,417				
2001	13,240,095	100.00	6,434,555	48.60	3,441,334	25.99	2,699,655	20.39	750,925	5.67	(38,383)	(0.29)	(124,757)	(0.94)	3,841,121	3,716,364				

APPENDIX III

Analysis of Gas Sales

No. of Active Customers (Mar-31)	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01
	CUBIC METER	CUBIC METER	CUBIC METER	CUBIC METER	CUBIC METER	CUBIC METER	CUBIC METER	CUBIC METER	CUBIC METER	CUBIC METER
Residential	18,011	17,308	16,935	16,425	16,019	15,233	13,980	13,101	12,896	12,511
Commercial	700	675	678	635	654	616	570	570	565	556
Special Rate	2	3	4	4	3	2	2	2	2	2
	18,713	17,986	17,617	17,064	16,676	15,851	14,552	13,673	13,463	13,069
Sales										
Residential	2,566,639	2,468,169	2,459,144	2,362,526	2,307,580	2,211,229	2,189,680	2,269,900	2,303,739	2,261,508
Commercial	7,490,879	6,973,948	6,691,579	6,001,132	5,421,619	5,026,672	4,947,588	5,194,163	5,339,009	5,149,507
Special Rate	1,943,587	1,923,660	2,765,386	3,027,221	3,964,680	3,614,252	1,043,602	2,768,284	4,110,085	8,637,037
	12,001,105	11,365,777	11,916,109	11,390,879	11,693,879	10,852,153	8,180,870	10,232,347	11,752,833	16,048,052
Value of Gas Sold										
Residential	3,796,300	3,649,750	3,637,013	3,494,457	3,412,959	3,270,365	3,237,916	3,140,464	2,967,438	2,913,925
Commercial	8,966,375	8,366,942	8,031,329	7,225,248	6,539,633	6,073,461	5,970,275	6,266,581	6,418,861	6,195,047
Special Rate	1,660,927	1,766,783	2,309,722	2,130,615	2,408,632	1,577,752	400,990	1,021,168	1,261,029	3,180,125
	14,423,602	13,783,475	13,978,064	12,850,320	12,361,224	10,921,578	9,609,181	10,428,213	10,647,328	12,289,097
Total Gross Revenue From Gas Sales										
Residential	4,432,445	4,268,277	4,238,132	4,078,560	3,978,401	3,799,296	3,723,310	3,608,172	3,426,219	3,355,555
Commercial	9,090,184	8,489,942	8,147,825	7,342,335	6,651,047	6,180,222	6,072,029	6,368,734	6,519,121	6,292,895
Special Rate	1,661,287	1,767,488	2,310,487	2,131,200	2,409,067	1,578,113	401,350	1,021,528	1,261,389	3,180,485
	15,183,916	14,525,707	14,696,444	13,552,095	13,038,515	11,557,631	10,196,689	10,998,434	11,206,729	12,828,935
Rates Realised Per Cubic Meter										
Residential	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.38	1.29	1.29
Commercial	1.20	1.20	1.20	1.20	1.21	1.21	1.21	1.21	1.20	1.20
Special Rate	0.85	0.92	0.84	0.70	0.61	0.44	0.38	0.37	0.31	0.37

APPENDIX IV

Summary of Operations For Period 1999/2000 to 2009/2010

Year At 31 st Mar.	Miles of Main		No. of Services			Sale of Gas		** Income From All Sources	Corp. Tax (Credit) Charge	Net Income (Deficit) for year
	In Use	Newly Laid	At Year End*	Connections During Year	Active At Year End	CUBIC METER	\$ Value			
2010	317.69	1.49	24,545	667	18,713	12,001,105	14,423,600	15,117,565	0	1,724,585
2009	316.20	2.72	23,878	770	17,986	11,365,777	13,783,475	14,683,807	0	(2,922,203)
2008	313.48	5.09	23,108	883	17,617	11,916,109	13,978,064	15,201,146	0	(15,812,254)
2007	308.39	5.89	22,225	716	17,064	11,390,879	12,850,320	13,812,714	119,164	(572,666)
2006	302.50	3.63	21,509	809	16,676	11,693,879	12,361,223	13,624,868	11,133	(2,276,098)
2005	298.87	3.60	20,700	1,232	15,851	10,852,153	10,921,578	11,819,606	(27,278)	(4,278,125)
2004	295.27	25.56	19,468	1,280	14,552	8,180,870	9,609,180	10,510,741	191,231	(1,620,381)
2003	269.71	8.66	18,188	405	13,673	10,232,346	10,428,213	11,286,582	181,850	(1,865,816)
2002	261.05	2.73	17,783	454	13,463	11,752,833	10,647,328	11,392,624	(1,250,677)	2,377,417
2001	258.32	4.20	17,329	593	13,069	16,048,052	12,828,934	13,240,095	(38,383)	3,716,364
2000	254.12	3.80	16,736	617	12,563	16,862,872	11,948,452	12,079,219	472,803	(997,526)

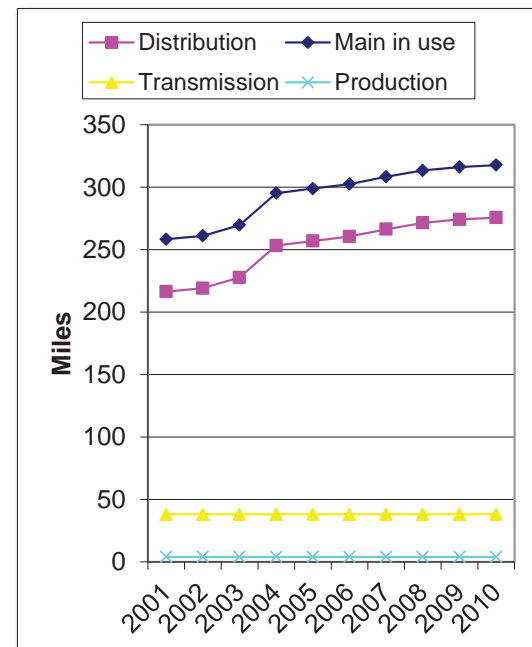
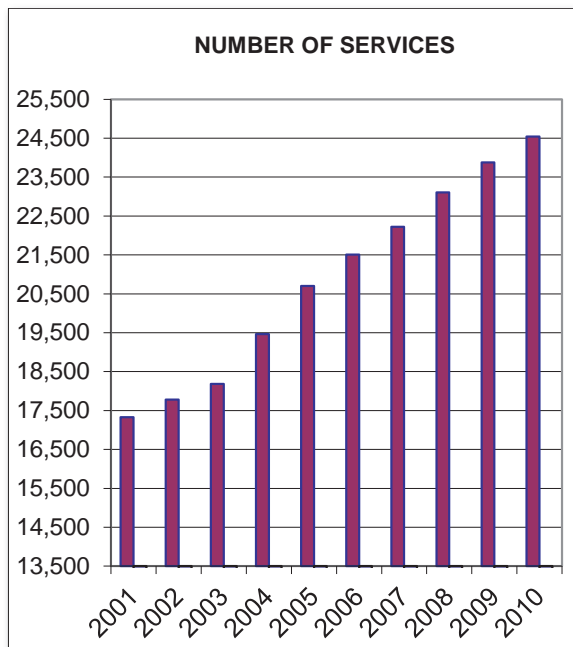
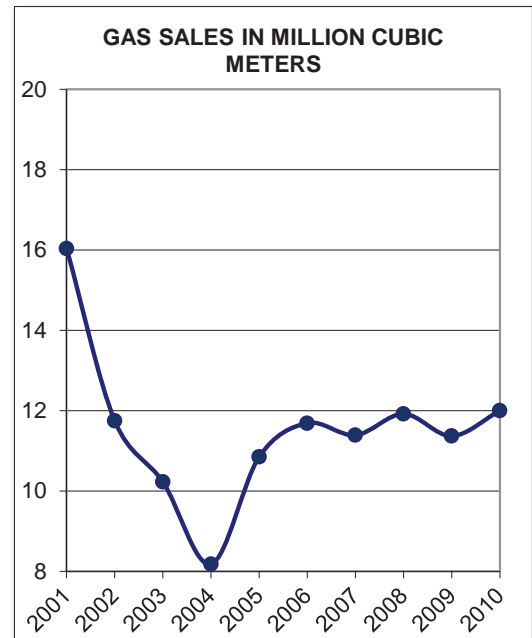
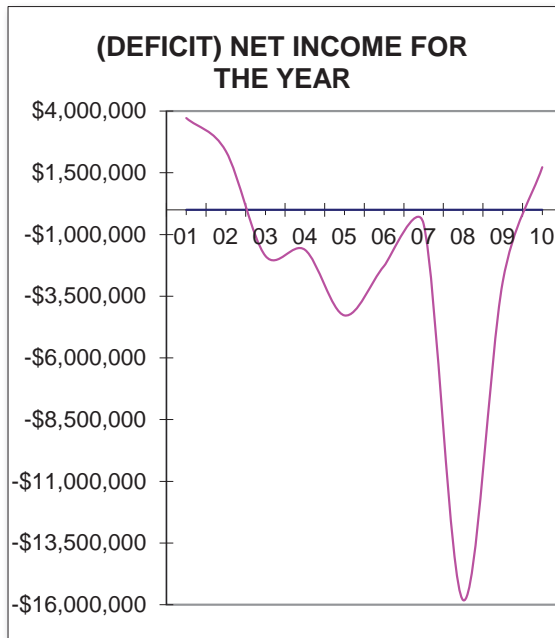
* Services disconnected are not accounted for

** Gross of discounts and allowances

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



CHARTS



NATIONAL PETROLEUM CORPORATION



NATIONAL PETROLEUM CORPORATION

Financial Statements
March 31, 2010
(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, 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

August 7, 2012
Bridgetown, Barbados

National Petroleum Corporation

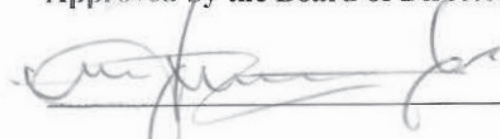
Balance Sheet

As of March 31, 2010

(expressed in Barbados dollars)

	2010 \$	2009 \$
Assets		
Current assets		
Cash on hand and at bank (note 4)	980,996	1,489,306
Short term deposit (note 5)	516,750	500,000
Accounts receivable (note 6)	2,530,133	2,768,295
Corporation tax recoverable	13,458	13,458
Inventories (note 7)	1,304,965	1,835,830
Prepaid expenses	32,767	28,245
	5,379,069	6,635,134
Property, plant and equipment (note 8)	32,883,506	33,282,688
Deferred expenses (note 10)	79,500	88,500
Total assets	38,342,075	40,006,322
Liabilities and equity		
Current liabilities		
Bank overdraft (note 4)	—	268,941
Accounts payable and accrued liabilities (note 11)	2,920,689	2,454,473
Due to associated company (note 12)	9,173,298	11,072,157
Current portion of borrowings (note 13)	1,748,107	1,714,416
Progress payments received (note 14)	55,960	55,960
	13,898,054	15,565,947
Borrowings (note 13)	9,787,484	11,535,373
Deferred lease premium (note 15)	630,303	660,303
Deferred credit (note 16)	1,962,882	2,074,266
Pension plan liability (note 17)	4,683,340	4,515,006
Total liabilities	30,962,063	34,350,895
Equity		
Capital contributed by Government of Barbados (note 18)	10,407,157	10,407,157
Accumulated deficit	(3,027,145)	(4,751,730)
	7,380,012	5,655,427
Total liabilities and equity	38,342,075	40,006,322

Approved by the Board of Directors on July 26, 2012

 Director

 Director

National Petroleum Corporation

Statement of Changes in Equity For the year ended March 31, 2010

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Accumulated deficit \$	Total \$
Balance at March 31, 2008	10,407,157	(1,829,527)	8,577,630
Net loss and total comprehensive loss for the year	–	(2,922,203)	(2,922,203)
Balance at March 31, 2009	10,407,157	(4,751,730)	5,655,427
Net income and total comprehensive income for the year	–	1,724,585	1,724,585
Balance at March 31, 2010	10,407,157	(3,027,145)	7,380,012

National Petroleum Corporation

Statement of Comprehensive Income

For the year ended March 31, 2010

(expressed in Barbados dollars)

	2010 \$	2009 \$
Sales		
Natural gas	14,659,376	14,257,423
Operating expenses		
Production, transmission and distribution (note 19)	4,031,854	8,367,010
General, administrative and commercial	6,454,921	6,200,245
Depreciation (note 8)	2,164,693	2,079,465
	12,651,468	16,646,720
	2,007,908	(2,389,297)
Other income (note 20)	458,189	426,384
Operating profit/(loss)	2,466,097	(1,962,913)
Interest and other loan expenses	(741,512)	(959,290)
Net income/(loss) and total comprehensive income/(loss) for the year	1,724,585	(2,922,203)

National Petroleum Corporation

Statement of Cash Flows

March 31, 2010

(expressed in Barbados dollars)

	2010 \$	2009 \$
Cash flows from operating activities		
Net income/(loss) for the year	1,724,585	(2,922,203)
Adjustments for:		
Depreciation	2,164,693	2,079,465
Loss on disposal of financial investments	–	43,299
Amortisation of deferred expenses	9,000	9,000
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of deferred credit	(111,384)	(111,384)
Interest and other loan expenses	741,512	959,290
Interest income	(39,290)	(41,869)
Pension expense	1,013,317	781,428
Project income	(19,763)	(96,417)
Operating profit before working capital changes	5,452,670	670,609
Increase in short term deposit	(16,750)	(500,000)
Decrease in accounts receivable	238,162	383,712
Decrease in inventories	530,865	236,889
Increase in prepaid expenses	(4,522)	(10,562)
Increase in accounts payable and accrued liabilities	466,216	300,912
(Decrease)/increase in amount due to associated company	(1,898,859)	3,822,977
Increase in progress payments received	19,763	–
Cash generated from operations	4,787,545	4,904,537
Interest and other loan expenses paid	(741,512)	(959,290)
Pension contributions paid	(844,983)	(871,583)
Net cash from operating activities	3,201,050	3,073,664
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,765,511)	(2,049,180)
Proceeds from the sale of financial investments	–	480,078
Interest income received	39,290	41,869
Net cash used in investing activities	(1,726,221)	(1,527,233)
Cash flows used in financing activities		
Repayments of borrowings	(1,714,198)	(1,682,258)
Decrease in cash and cash equivalents	(239,369)	(135,827)
Cash and cash equivalents - beginning of year	1,220,365	1,356,192
Cash and cash equivalents - end of year (note 4)	980,996	1,220,365

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(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 Notes 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.

Standards, amendments and interpretations to existing standards effective in 2010

The following amendments are effective for the 2010 financial year.

IAS 1 (Revised), 'Presentation of financial statements'

- A statement of comprehensive income is required to be presented. Total recognised gains and losses which are included in the statement of changes in equity are detailed in the statement of comprehensive income. Comparative information has been re-presented to conform with the revised standard.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

IAS 23 (Revised), 'Borrowing costs'

A revised version of IAS 23 eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for intended use. The application of this standard does not have any effect on the financial statements.

Other amendments to standards and interpretations which are effective in the current year but have no impact on the Corporation's operations are as follows:

- IFRS 7 (Amended) Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IFRS 2 Share-based Payment
- IFRS 3 (Revised) Business Combinations
- IAS 32 and IAS 1 Financial Instruments: Presentation and Presentation of Financial Statements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Corporation

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Corporation's operations. The Corporation has not early adopted the new standards, amendments and interpretations.

- IAS 1 (Amendment) Presentation of Financial Statements (effective on or after January 1, 2010);
- IAS 7 (Amendment) Statement of Cash Flows (effective on or after January 1, 2010);
- IAS 24 (Revised) Related Party Disclosures (effective on or after January 1, 2010);
- IAS 32 (Amendment) Financial Instruments: Presentation (effective on or after February 1, 2010);
- IAS 36 (Amendment) Impairment of Assets (effective on or after January 1, 2010);
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective on or after July 1, 2010)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

IAS 23 (Revised), 'Borrowing costs'

A revised version of IAS 23 eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for intended use. The application of this standard does not have any effect on the financial statements.

Other amendments to standards and interpretations which are effective in the current year but have no impact on the Corporation's operations are as follows:

- IFRS 7 (Amended) Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IFRS 2 Share-based Payment
- IFRS 3 (Revised) Business Combinations
- IAS 32 and IAS 1 Financial Instruments: Presentation and Presentation of Financial Statements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Corporation

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Corporation's operations. The Corporation has not early adopted the new standards, amendments and interpretations.

- IAS 1 (Amendment) Presentation of Financial Statements (effective on or after January 1, 2010);
- IAS 7 (Amendment) Statement of Cash Flows (effective on or after January 1, 2010);
- IAS 24 (Revised) Related Party Disclosures (effective on or after January 1, 2010);
- IAS 32 (Amendment) Financial Instruments: Presentation (effective on or after February 1, 2010);
- IAS 36 (Amendment) Impairment of Assets (effective on or after January 1, 2010);
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective on or after July 1, 2010)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

b) Accounts receivable

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

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

c) Inventories

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

d) Property, plant and equipment

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

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

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

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

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

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

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

e) 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.

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.

f) 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. On completion of the project, the costs are transferred to deferred credits. Deferred credits are amortised over the same period as the capital costs to which they relate.

g) 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.

h) 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.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

i) 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.

j) Pension plan valuation

The Corporation operates a non-contributory defined benefit pension plan. (Note 17).

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

k) 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.

l) 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.

m) 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.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

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 and cash equivalents

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

	2010 \$	2009 \$
Cash on hand and at bank	980,996	1,489,306
Bank overdraft	–	(268,941)
	980,996	1,220,365

5 Short term deposit

The interest rate on the short term deposit at year end was 2.95% (2009 - 3.35%)

The original maturity of the deposit is 365 days.

6 Accounts receivable

	2010 \$	2009 \$
Trade receivables:		
Customers	2,253,774	2,563,643
Servicing	1,696,810	1,853,302
	3,950,584	4,416,945
Less: Provision for impairment of receivables	(2,122,071)	(2,105,713)
Trade receivables - net	1,828,513	2,311,232
Other receivables	701,620	457,063
	2,530,133	2,768,295

As at year end, trade receivables of \$1,186,231 (2009 - \$1,219,612) were fully performing.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

6 Accounts receivable ...continued

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$642,282 (2009 - \$1,091,620) 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:

	2010 \$	2009 \$
30 to 60 days	238,117	512,802
Over 90 days	404,165	578,818
	642,282	1,091,620

As at year end, trade receivables of \$2,122,071 (2009 - \$2,105,713) were impaired and provided for. The aging of these trade receivables is as follows:

	2010 \$	2009 \$
Over 90 days	2,122,071	2,105,713

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

	2010 \$	2009 \$
Balance - beginning of year	2,105,713	2,057,706
Impairment charge	60,334	217,510
Reversal of provision no longer required	(43,976)	(169,503)
Balance - end of year	2,122,071	2,105,713

Direct write offs to the statement of comprehensive income in respect of impaired receivables was \$Nil (2009 - \$59,642).

No provisions for impairment were required in respect of other receivables.

The carrying value of other receivables is considered to approximate fair value because of their short term maturity.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

7 Inventories

	2010 \$	2009 \$
Materials and supplies	1,840,740	2,035,925
Provision for obsolescence	(570,885)	(258,277)
	1,269,855	1,777,648
Gas	9,468	9,468
Goods in transit	25,642	48,714
	1,304,965	1,835,830

A provision for obsolescence of \$312,608 (2009 - \$91,706) was recorded during the year and is included in production, transmission and distribution expenses in the statement of comprehensive income.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

8 Property, plant and equipment

	Land and buildings \$	Gas wells, pipelines, production and transmission equipment \$	Distribution, plant and equipment \$	Moveable equipment \$	Total \$
At March 31, 2008					
Cost or valuation	5,176,837	8,177,989	60,262,019	5,309,253	78,926,098
Accumulated depreciation	(3,854,402)	(7,680,389)	(29,706,649)	(4,371,685)	(45,613,125)
Net book amount	1,322,435	497,600	30,555,370	937,568	33,312,973
Year ended March 31, 2009					
Opening net book amount	1,322,435	497,600	30,555,370	937,568	33,312,973
Additions	23,516	14,452	1,671,976	339,236	2,049,180
Depreciation charge	(167,066)	(36,695)	(1,494,050)	(381,654)	(2,079,465)
Closing net book amount	1,178,885	475,357	30,733,296	895,150	33,282,688
At March 31, 2009					
Cost or valuation	5,200,353	8,192,441	61,845,839	5,778,199	81,016,832
Accumulated depreciation	(4,021,468)	(7,717,084)	(31,112,543)	(4,883,049)	(47,734,144)
Net book amount	1,178,885	475,357	30,733,296	895,150	33,282,688
Year ended March 31, 2010					
Opening net book amount	1,178,885	475,357	30,733,296	895,150	33,282,688
Additions	41,141	908	1,461,611	261,851	1,765,511
Depreciation charge	(168,551)	(36,947)	(1,542,802)	(416,393)	(2,164,693)
Closing net book amount	1,051,475	439,318	30,652,105	740,608	32,883,506
At March 31, 2010					
Cost or valuation	5,241,494	8,193,349	63,270,868	5,981,087	82,686,798
Accumulated depreciation	(4,190,019)	(7,754,031)	(32,618,763)	(5,240,479)	(49,803,292)
Net book amount	1,051,475	439,318	30,652,105	740,608	32,883,506

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

8 Property, plant and equipment ...continued

- a) Property, plant and equipment other than land at Wildey are stated at historical cost.
- b) The land at Wildey, which was granted to the Corporation by the Government of Barbados in 1978, is stated at its estimated value at that time of \$218,000. (Note 18).

9 Investment in associated company

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

In 2008, the Corporation's share of the losses recorded by the associated company exceeded the Corporation's interest in the associated company and the investment in the associated company was fully written off.

	2010 \$	2009 \$
Unrecognised share of losses - beginning of year	(13,457,908)	(1,487,077)
Unrecognised share of (income)/losses for the year	12,690,484	(11,970,831)
Unrecognised share of losses - end of year	(767,424)	(13,457,908)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

10 Deferred expenses

\$

At March 31, 2008

Cost	108,000
Accumulated amortisation	<u>(10,500)</u>
Net book amount	<u>97,500</u>

Year ended March 31, 2009

Opening net balance	97,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>88,500</u>

At March 31, 2009

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

Year ended March 31, 2010

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

At March 31, 2010

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

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, 2010

(expressed in Barbados dollars)

11 Accounts payable and accrued liabilities

	2010 \$	2009 \$
Customer deposits	1,342,310	1,281,756
Trade payables	539,705	535,730
Payroll deductions	386	135,336
Accrued expenses	1,038,288	501,651
	2,920,689	2,454,473

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 26.

13 Borrowings

	2010 \$	2009 \$
i) National Insurance Scheme \$2.5M loan	835,591	1,349,789
ii) Bank of Nova Scotia \$14.4M loan	10,700,000	11,900,000
	11,535,591	13,249,789
Current portion	1,748,107	1,714,416
Long-term portion	9,787,484	11,535,373
	2010 \$	2009 \$
i) National Insurance Scheme \$2.5M loan	835,591	1,349,789
Less instalments due within twelve months and shown under current liabilities	548,107	514,416
Long-term portion	287,484	835,373

The loan is repayable in semi-annual instalments of blended principal and interest of \$296,828. The loan bears interest at 6.5% (2009 - 6.5%) per annum.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

13 Borrowings ...continued

ii) Bank of Nova Scotia \$14.4M loan

Less instalments due within twelve months and shown under current liabilities

Long-term portion

2010 \$	2009 \$
10,700,000	11,900,000
1,200,000	1,200,000
9,500,000	10,700,000

The loan is repayable in monthly instalments of \$100,000. The loan bears interest at 5.75% (2009 - 6.000%) per annum.

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

The Corporation's bank overdraft is secured by a letter of comfort from the Government of Barbados for \$1 million.

14 Progress payments received

Balance - beginning of year

Additions

Transfer to deferred credit (note 16)

Taken to income (note 20)

Balance - end of year

2010 \$	2009 \$
55,960	248,673
19,763	—
—	(96,296)
(19,763)	(96,417)
55,960	55,960

During the year ended March 31, 2001, \$55,960 was received from the Grantley Adams International Airport in respect of work to be done at the Airport. To date no work has been performed on the project.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(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, 2008

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(810,000)</u>
Net book amount	<u>690,303</u>

Year ended March 31, 2009

Opening net balance	690,303
Amortisation (note 20)	<u>(30,000)</u>
Closing net balance	<u>660,303</u>

At March 31, 2009

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

Year ended March 31, 2010

Opening net balance	660,303
Amortisation (note 20)	<u>(30,000)</u>
Closing net balance	<u>630,303</u>

At March 31, 2010

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(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 Sagikor Life Inc., the costs to relocate gas mains and installations from St. Lawrence Gap to Dover playing field, which was financed by the Barbados Tourism Investment Inc., the costs of work done at Six Roads which was financed by Eastern Land Development and the costs of work done at Dodds, St. Philip for the new prison which was funded by the Ministry of Home Affairs have been deferred. These amounts are being amortised over the same period as the costs to which they relate.

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

	2010 \$	2009 \$
Balance - beginning of year	2,074,266	2,089,354
Additions (note 14)	—	96,296
Amortisation (note 20)	(111,384)	(111,384)
Balance - end of year	1,962,882	2,074,266

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, 2009 and an interim valuation was performed as of March 31, 2010. The actuary recommended a funding rate of 27.10% of the salaries and wages of those under the plan (8.87% to cover current service costs and 18.23% to cover the pension deficit).

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

17 Pension plan ...continued

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

	2010 \$	2009 \$
Present value of funded obligations	14,811,987	13,619,214
Fair value of plan assets	(8,742,807)	(7,878,280)
	6,069,180	5,740,934
Unrecognised actuarial gains	(1,385,840)	(1,225,928)
Pension plan liability	4,683,340	4,515,006

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

	2010 \$	2009 \$
Balance - beginning of year	13,619,214	12,116,756
Current service at cost	310,900	271,269
Past service at cost	—	67,974
Interest cost	980,488	917,600
Benefits paid	(501,371)	(892,765)
Actuarial loss on obligation	402,756	1,138,380
Balance - end of year	14,811,987	13,619,214

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

	2010 \$	2009 \$
Balance - beginning of year	7,878,280	7,465,740
Expected return on plan assets	523,256	484,585
Actuarial loss on plan assets	(2,341)	(50,860)
Contributions paid	844,983	871,583
Benefits paid	(501,371)	(892,768)
Balance - end of year	8,742,807	7,878,280

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

17 Pension plan ...continued

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

	2010 \$	2009 \$
Current service cost	310,900	271,269
Interest cost	980,488	917,600
Expected return on plan assets	(523,256)	(484,585)
Net actuarial loss recognised in the year	245,185	9,171
Past service cost	–	67,973
	1,013,317	781,428
Actual return on plan assets	520,911	433,725

The movement in the pension plan liability is as follows:

	2010 \$	2009 \$
Balance - beginning of year	4,515,006	4,605,161
Pension expense for the year (note 23)	1,013,317	781,428
Contributions paid	(844,983)	(871,583)
Pension plan liability	4,683,340	4,515,006

Principal actuarial assumptions used for accounting purposes were:

	2010	2009
Discount rate	7.00%	7.75%
Expected return on plan assets during the year	6.5%	6.5%
Future salary increases	5%	5%
Future pension increases	0%	0%
Proportion of employees opting for early retirement	10%	10%
Future changes in National Insurance ceiling	3.5%	3.5%
Mortality	GAM 94	GAM 94

Expected contributions for the year ending March 31, 2011 are \$871,583.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

17 Pension plan ...continued

	2010 \$	2009 \$	2008 \$	2007 \$
Present value of funded obligations	14,811,987	13,619,214	12,116,757	11,081,587
Fair value of plan assets	(8,742,807)	(7,878,280)	(7,465,740)	(6,617,166)
	6,069,180	5,740,934	4,651,017	4,464,421
Unrecognised actuarial (gains)/losses	(1,385,840)	(1,225,928)	(45,856)	349,470
Surplus	4,683,340	4,515,006	4,605,161	4,813,891
Experience adjustments on plan liabilities	5,783	(405,120)	54,508	(531,328)
Experience adjustments on plan assets	(2,341)	(50,860)	(61,284)	(63,520)

18 Capital contributed by Government of Barbados

This is comprised of:

	2010 \$	2009 \$
Capitalised loans	950,000	950,000
Capitalised interest on loans	1,333,802	1,333,802
Capitalisation of land granted to the Corporation (note 8(b))	218,000	218,000
Additional capital contributed by Government of Barbados during 1982/83	20,000	20,000
Loan principal and interest paid by Government of Barbados net of consideration for shares issued in Barbados National Oil Company Limited to Government of Barbados	7,885,355	7,885,355
	10,407,157	10,407,157

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

19 Production, transmission and distribution costs

	2010 \$	2009 \$
Production	1,479,252	6,572,089
Transmission	10,664	16,767
Distribution	2,878,249	2,320,389
	4,368,165	8,909,245
Less:		
Reimbursements through jobbing	(143,446)	(188,700)
Installation and re-connection fees	(125,942)	(269,651)
In house services	(66,923)	(83,884)
	4,031,854	8,367,010

20 Other income

	2010 \$	2009 \$
Interest	39,290	41,869
Rental income	227,555	174,052
Miscellaneous income	30,197	15,961
	297,042	231,882
Project income (note 14)	19,763	96,417
Loss on disposal of financial investment	—	(43,299)
	316,805	285,000
Amortisation of lease premium (note 15)	30,000	30,000
Amortisation of deferred credit (note 16)	111,384	111,384
	458,189	426,384

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

21 Taxation

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

	2010 \$	2009 \$
Net income/(loss) for the year	1,724,585	(2,922,203)
Tax calculated at 25% (2009 - 25%)	431,146	(730,551)
Tax effect of the following:		
Expenses not deductible for tax purposes	46,776	52,101
Commercial building allowance claimed	(40,788)	(40,788)
Investment allowance claimed	(86,218)	—
(Decrease)/increase in deferred tax asset not recognised	(261,426)	526,283
Underprovision of previous year's tax	(89,490)	—
Tax losses expired	—	192,955
	—	—

There is a potential deferred tax asset which has not been recognised in the financial statements since it is uncertain that taxable profits will be available against which the deferred tax asset can be utilised.

The potential deferred tax asset consists of the following components:

	2010 \$	2009 \$
Accelerated tax depreciation	(6,289,016)	(8,282,963)
Unutilised tax losses (note 22)	12,970,678	16,162,306
Pension plan liability	4,683,340	4,515,006
	11,365,002	12,394,349
Deferred tax asset at corporation tax rate of 25% (2009 - 25%)	2,841,251	3,098,587

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

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 \$	Adjustments \$	Utilised \$	Balance c/f \$	Expiry date
2002	340,723	—	(340,723)	—	—
2003	859,948	—	(859,948)	—	—
2004	5,339,830	—	(2,348,917)	2,990,913	2013
2005	2,585,230	—	—	2,585,230	2014
2006	1,696,592	—	—	1,696,592	2015
2007	2,371,892	—	—	2,371,892	2016
2008	1,915,347	—	—	1,915,347	2017
2009	1,052,744	357,960	—	1,410,704	2018
	16,162,306	357,960	(3,549,588)	12,970,678	

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

23 Staff costs

Staff costs comprise the following:

Salaries, wages and National Insurance
Pension expense (note 17)

2010 \$	2009 \$
4,750,903	4,579,321
1,013,317	781,428
5,764,220	5,360,749
114	116

The number of persons employed at year end was as follows

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

24 Expenses by nature

	2010 \$	2009 \$
Depreciation	2,164,693	2,079,465
Gas purchased (note 26)	1,479,252	6,572,089
Impairment of receivables	16,358	107,650
Insurance	441,023	438,381
Internal in-house services expenses (net)	87,894	66,645
Land tax	74,848	74,847
Legal fees	6,400	260,673
Maintenance	649,316	645,389
Meter reading, accounting and collection	256,564	264,353
Pensions expense	1,013,317	781,428
Gratuities	64,342	25,045
Rent	300	8,996
Salaries, wages and National Insurance	4,750,903	4,579,321
Special services	56,135	62,442
Supplies	1,527,059	823,063
Travel and utilities	299,072	280,847
Uniforms and safety equipment	33,380	34,437
	12,920,856	17,105,071
Reimbursements through jobbing	(143,446)	(188,700)
Installation and re-connection fees	(125,942)	(269,651)
	12,651,468	16,646,720

25 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2010/11 of \$4,131,060 (2009/10 - \$4,956,425). None of this expenditure had been contracted for at that date.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

26 Related party transactions

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

	2010 \$	2009 \$
Purchase of gas	5,475,693	6,572,089
Effect of retroactive rate adjustment	(3,996,441)	–
	1,479,252	6,572,089

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

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

	2010 \$	2009 \$
a) Salaries and directors' fees	774,984	705,146
b) Car loans		
Balance - beginning of year	126,635	16,427
New loans issued	91,850	142,074
Loan repayments received	(87,780)	(31,866)
Balance - end of year	130,705	126,635

No provision has been required in 2010 or 2009 for the car loans made to key management.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(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 there is no significant exposure to foreign exchange risk.

ii) Cash flow and fair value interest rate risk

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

The Corporation's sole interest bearing asset is its short term deposit.

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

The Corporation's exposure to interest rates and the terms of borrowings are disclosed in notes 5 and 13.

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

	2010 \$	2009 \$
Fixed rate borrowings	835,591	1,349,789
Variable rate borrowings	10,700,000	11,900,000
	11,535,591	13,249,789

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 \$107,000 (2009 - \$119,000) lower or higher.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(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:

	2010		2009	
	\$	%	\$	%
Cash on hand and at bank	980,996	24	1,489,306	31
Short term deposit	516,750	13	500,000	11
Accounts receivable	2,530,133	63	2,768,295	58
	4,027,879	100	4,757,601	100

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(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 liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$	Between 1 & 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
At March 31, 2010					
Accounts payable	1,882,015	—	—	—	1,882,015
Due to associated company	9,173,298	—	—	—	9,173,298
Borrowings	2,504,155	2,123,327	4,601,000	4,700,000	13,928,482
	13,559,468	2,123,327	4,601,000	4,700,000	24,983,795
At March 31, 2009					
Bank overdraft	268,941	—	—	—	268,941
Accounts payable	2,027,549	—	—	—	2,027,549
Due to associated company	10,234,711	—	—	—	10,234,711
Borrowings	2,575,178	3,463,028	4,601,000	5,900,000	16,539,206
	15,106,379	3,463,028	4,601,000	5,900,000	29,070,407

National Petroleum Corporation

Notes to Financial Statements

March 31, 2010

(expressed in Barbados dollars)

27 Financial risk management ...continued

c) Liquidity risk ...continued

The table below analyses the Corporation's financial assets into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year \$	Between 1 & 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
At March 31, 2010					
Cash on hand and at bank	980,996	—	—	—	980,996
Short term deposit	516,750	—	—	—	516,750
Accounts receivable	2,530,133	—	—	—	2,530,133
	4,027,879	—	—	—	4,027,879

At March 31, 2009

Cash on hand and at bank	1,489,306	—	—	—	1,489,306
Short term deposit	500,000	—	—	—	500,000
Accounts receivable	2,768,295	—	—	—	2,768,295
	4,757,601	—	—	—	4,757,601

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.



NOTES



NOTES

