



# ANNUAL REPORT --- 2015

NATIONAL PETROLEUM CORPORATION



# National Petroleum Corporation

Annual Report 2015

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## Letter of Transmittal

**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



Reference: 200 Vol 29

**NPC**

April 25, 2018

*The Energy People.*

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

Dear Sir

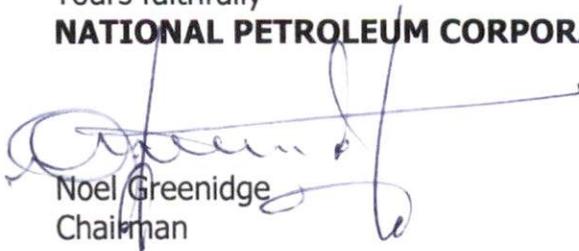
### **Letter of Transmittal**

Pursuant to Sections 16 and 19 of the National Petroleum Corporation Act Cap 280, we have the honour to submit the thirty third Annual Report and Audited Financial Statements of the Corporation for the financial year ended March 31, 2015.

We note that the Auditors have forwarded to you on April 5, 2018, the Audited Accounts and Financial Statements of the Corporation in accordance with section 16 (5) of the Act.

Yours faithfully

**NATIONAL PETROLEUM CORPORATION**



Noel Greenidge  
Chairman

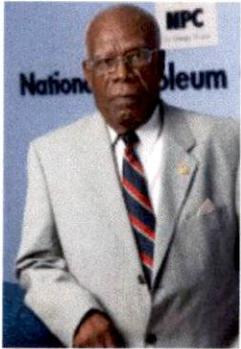
## Mission & Values

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

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

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

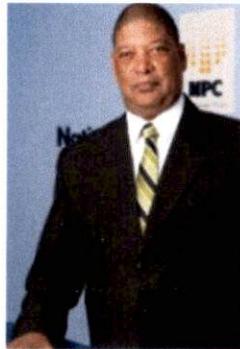
## Board of Directors



Sir Harcourt Lewis  
GCM, JP, DPA, FIBA  
**Chairman**  
(deceased)



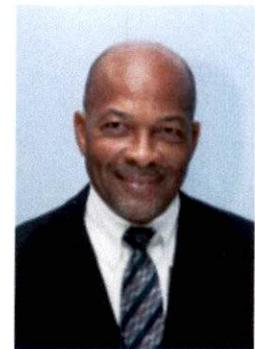
Mr. Noel Greenidge  
**Deputy Chairman**



Mr. Mark Parris  
Entrepreneur



Mr. Ken Linton  
Retired GM of NPC



Winton Gibbs  
General Manager  
Barbados National Oil  
Co Ltd



Faye Prescod  
Public Officer  
Ministry of Finance



Mrs Juliet Downes-  
Wilson  
Consultant



Mr. Algernon Atherley  
Former Banker



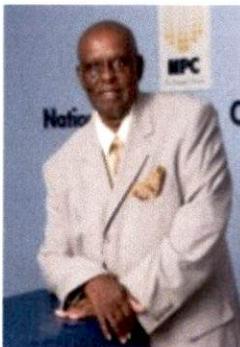
Ms. Doreen Johnson  
Attorney-at-law



Nancy Solomon  
Corporate Executive  
Barbados Workers'  
Union



Francine Blackman  
Deputy Permanent  
Secretary(ag)  
Division of Energy



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) Limited  
First Caribbean International (Barbados) Limited  
Scotiabank Barbados

## **Committees of the Board of Directors**

**Finance Committee**

Sir Harcourt Lewis – Chairman (Deceased)  
Mr. Noel Greenidge – Deputy Chairman  
Mr. Mark Parris  
Representative of Permanent Secretary, Finance  
Representative of Division of Energy & Telecommunications

**Establishments Committee**

Sir Harcourt Lewis – Chairman (Deceased)  
Mr. Noel Greenidge – Deputy Chairman  
Miss Juliet Downes  
Representative of Barbados Workers Union  
Representative of Division of Energy & Telecommunications

**Technical Committee**

Sir Harcourt Lewis – Chairman (Deceased)  
Mr. Ken Linton  
Mr. Winton Gibbs

## Principal Officers

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

*General Manager (Seconded - December, 2017)*

**Mr. Birchmore DeCoursey Scantlebury**

*Manager – Finance*

**Ms. Mechelle Maria Smith**

*Manager – Human Resources & Administration*

**Mr. Roger Emmanuel Arthur Martindale**

*Manager – Technical Operation*

**Mrs. Andrea Monique Burnett-Edward**

*Technical Officer*

**Mr. Wosley John Wayne Holder**

*Technical Officer/Service Installations Coordinator*

## SENIOR OFFICERS

### Technical Operation

**Jamal Squires**, Trainee Petroleum Engineer

**Stanley Phillips**, Superintendent(ag) (Retired - January, 2014)

**Michael D. Bascombe**, Foreman

**Dave Downes**, Foreman(ag)

**Charles Price**, Supervisor Drawings & Records

### Human Resources & Administration

**Basil Smart**, Administrative Officer

**Francine Forde**, Human Resources Officer

### Finance & Accounting

**Ian Bradshaw**, Accountant

**Karen Pilgrim**, Asst. Accountant Costs & Budgets

**Paula Gittens**, Customer Service Officer

**Margo Jordan**, Meter Reading Supervisor(ag)

**Euclid Forde**, Storekeeper

### Executive Office

**Rhonda Clarke**, Executive Secretary

**Noel King**, Information Technology Officer(ag)

## General Manager's Report

Barbados and indeed, the entire world economy, continues to slowly emerge from the morass of the Great Recession. The Central Bank of Barbados forecasts economic growth to accelerate from less than 1% in 2014 to 1.6% in 2015, based on growth in tourism as well as the implementation of major investment projects by the Government and the private sector.

A key contributor to that growth is the global glut of oil and natural gas fueled both by an oversupply of product and a rapidly decreasing demand for said commodity in major markets. In fact, all signs point to the oil supply being almost double the oil demand at this time.

To provide an example of this dynamic, we can look to China. The most populous nation on the planet, with a powerful, if slightly dampened economy, is building out its power grid with an increasing reliance on local coal and renewable energy sources to power future electricity generating plants.

The resulting fall in oil and gas prices has necessitated a major overhaul in this already volatile industry. Shale and fracking companies in North America have shuttered their doors as crude oil prices have fallen below US\$60 a barrel, with estimates suggesting a further price decline below US\$40 a barrel by the end of 2015. In much the same vein, natural gas prices for 2015 are estimated to drop below US\$2 per million British thermal unit (MMBtu). The question must once again be raised as to what floor the price must be set at before the excavation of local oil becomes unfeasible.

However, a question must also be raised with regard to the continued low rates for local natural gas supply in Barbados. The rates have been constantly undervalued, even when international prices have been high. While beneficial to the consumers, the National Petroleum Corporation has had to absorb many expenses, thus curtailing activities to expand the

use of natural gas in the island.

### 2014 NATURAL GAS OUTAGE

During December, 2014, only a few days before the Christmas and New Year's holidays, the NPC was, for the first time ever, unable to meet the needs of consumers as wellhead pressure became unstable and could not support the supply of natural gas to the pipeline.

To relieve this situation as swiftly as possible, the Minister of Energy requested an immediate Natural Gas Strategy Plan. This Plan, which made specific references to the Short, Medium and Long Term Plans of the Corporation, also included the exploration of a new venture; importation of liquefied natural gas (LNG) in ISO (40-foot) containers. The opportunities resulting from shale sources has made the USA a primary source for natural gas to support local supply. Indeed, this consignment arrangement may become permanent as regional partners in Jamaica and Trinidad are unable or unwilling to supply natural gas in small enough quantities to serve our needs.

This development does not bode well for the development of any natural gas pipeline between Barbados and Trinidad, nor does it encourage the development of further similar resources throughout the Eastern Caribbean. However, the incident remains a marked memory for the management, staff and board of both the NPC, the Barbados National Oil Company Ltd (BNOCL) and the entire Ministry of Energy to continue emphasizing security of supply as a major component in its business model.

This situation, along with the low returns to low pricing and the additional burden of purchasing externally, have all contributed to the NPC's return to losses, mitigated only by our share in BNOCL, which has also seen a significant decline in return on investment.

## Management Discussion and Analysis

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

### Our Business

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

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

The Corporation's general functions of the production of crude oil, 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 Sir Harcourt Lewis, KCMG, GCM, J.P. who was re-appointed for a period of three (3) years, effective March 1, 2011. Following the passing of Sir Harcourt Lewis in 2014, Deputy Chairman, Mr. Noel Greenidge, took up the mantle of Chairman of the Board.

Sir Harcourt Lewis, whom many consider the Father of the Corporation, will be sorely missed.

### FINANCIAL PERFORMANCE OVERVIEW

#### Net Income

During the financial year ended March 2015, the Corporation ended its trend of profitability. The audited financial statements show a net loss before share of loss of associated company of

\$877,419 when compared with a net income before share of profit of associated company of \$2,033,169 in the previous year.

This year's share of results of the Barbados National Oil Company decreased substantially from \$7,119,515 in 2014 to a loss of \$799,590 in 2015, which resulted in a total comprehensive loss for the current year of \$3,863,128. This represented a decrease of 143% when compared with the previous year.

#### Revenue Stream

Revenue from gas sales rose minutely by 0.89% from \$16,478,890 in 2014 to \$16,625,853 in 2015. This was realised through growth in commercial sales during the period under review. Sales to customers in the commercial category represented 67.7% of the gross revenue.

#### Residential Sales

Total sales volume to residential customers increased by 2.43% from 2,612,578 standard cubic metres in the previous year to 2,676,095 in the current year. At the end of the financial year the total number of active customers in this category stood at 20,184, a slight increase of 251 when compared with the previous year.

#### Commercial Sales

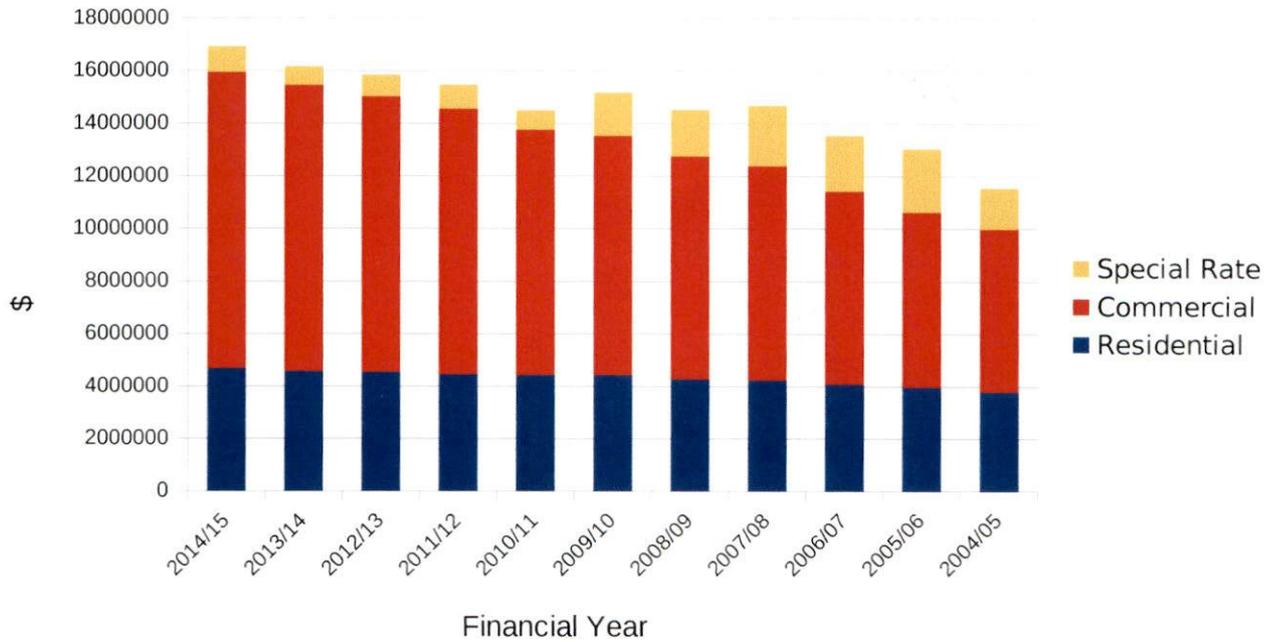
Commercial sales volumes increased by 318,654 standard cubic metres from 9,035,478 standard cubic metres to 9,354,132 standard cubic metres or 3.53%. At the end of the financial year the number of active commercial customers stood at 744 with an average monthly usage of 780,000 cubic metres.

#### Special Rate Sales

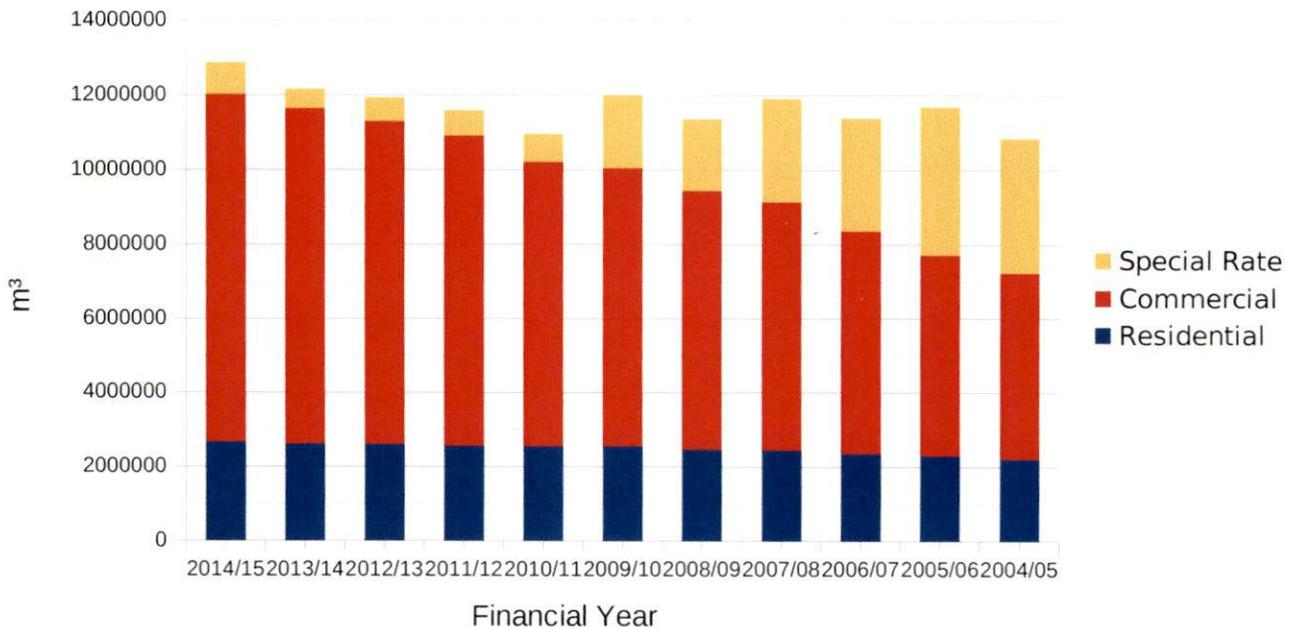
For the year ended 2015, no sales were again made to our special rate customer, Barbados Light and Power, as they have temporarily ceased the intake of natural gas due to operational issues. Sales to the Queen Elizabeth Hospital however rose to 702,132 standard cubic metres from 523,288 standard cubic metres the previous year, an increase of 178,844 standard cubic metres or 34.18%.

**ANALYSIS OF GAS SALES**

Gross Revenue from Gas Sales



Sales in standard cubic metres



## Expenses

Operating expenses for the year ended March 2015 totalled \$17,527,025, an increase of \$2,797,962 from last year's total operating expenses. General, administrative and commercial expenses accounted for 50.9% of the total operating expenses.

Property, plant and equipment at year end totalled \$35,583,519 under the following headings:

Capital Expenditure	\$
Land and Buildings	410,030
Gas Wells, Pipelines - Production & Transmission	685,928
Distribution Plant and Equipment	33,861,781
Moveable equipment and Furniture	625,780

## OPERATIONS OVERVIEW

### Gas Supply & Reserves

Purchase of natural gas from the Barbados National Oilfield Services Limited (BNOSL) was 14,067,517 standard cubic metres. The Corporation's Well #19 produced no significant amount of natural gas for the financial year.

According to information supplied by the BNOSL, the gas reserves as at March 31, 2015 were estimated to be near or at 4.324 million standard cubic metres.

### Mains Installation

During the year under review, 1.24 miles or 1.99 kilometres of new mains were laid. The Corporation continued its maintenance programme which included the replacement of the overland pipeline. A total of 0.463 miles or 0.745 kilometres of mains were replaced during the year. See Appendix 1 for the summary of mains laid for the financial year ended March 31, 2015.

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

## HUMAN RESOURCES OVERVIEW

The Human Resources and Administration department (HR & A) has continued its efforts to prepare the Corporation for the eventual

retirement of key personnel. To this end, a report on upcoming retirees was produced in February 2015, to identify both those eligible for early retirement and those eligible to retire at 65.

### Staffing & Recruitment

The Corporation announced the appointment of five persons to permanent staff, bringing the staff complement to 110 as at March 31, 2015 as compared with 115 as at March 31, 2014.

### 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.

During the period under review, an additional two members retired and the fair value of plan assets at year end totalled \$14,350,976.

### Training & Development

During the financial year ended March 2015, training was facilitated in the following key areas: Innoprise Systems, Microsoft Excel, Pipe Fusion – Small Diameter Operator Qualification and Fusion Inspector Training and Qualification. Overall, the number of training hours totalled 1,010.5 hours for the review period.

## Appointments to Permanent Staff



Adrian Dixon  
General Worker



Adrian Martelly  
General Worker



Adrian Weekes  
General Worker



Renaldo Niles  
General Worker



Roland Marshall  
Meter Attendant

## Retirees

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



Carl Watson  
*28 years of service*



Clement Pollard  
*31 years of service*



Edward Wiggins  
*27 years of service*



Jeff Chapman  
*43 years of service*



Lyman Williams  
*32 years of service*



Rohan Durant  
*29 years of service*



Stanley Phillips  
*43 years of service*

## Christmas Luncheon & Awards Ceremony

Our annual staff party and long service awards took place on Friday, December 19, 2014. A total of 19 staff members were honoured for their sterling contribution to the Corporation in the category of long service.

### Long Service Awardees - 10 Years



James Browne  
General Manager

### Long Service Awardees - 15 Years



Francina Springer  
Asst. H.R. Officer



Grace Applewhaite  
Maid

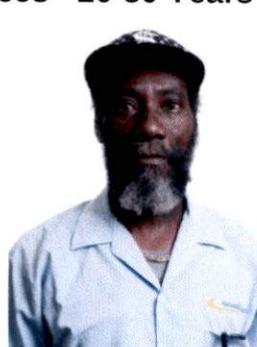
### Long Service Awardees - 20-30 Years



Fidel Holder  
20 years



Marcia Skeete  
25 years



Ralph Belle  
25 years



Tennyson Carrington  
25 years



Chris Patrick  
30 years



Erwin Bradshaw  
30 years



Margo Jordan  
30 years



Orlando Hall  
30 years



Rudolph Bovell  
30 years



Wayne Mason  
30 years

**Long Service Awardees - 35+ Years**



Alfred Bynoe  
35 years



Rumalsden Ward  
35 years



Michael Blackett  
40 years



Stanley Phillips  
43 years

# Appendix I

## SUMMARY OF MAINS LAID APRIL 1, 2014 TO MARCH 31, 2015

New Mains	Size of Main / Distance in Feet				
	1 <sup>1/4</sup> " 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	1142	1280.5			
St. James		653			
St. Thomas		43.42		1404.67	1365.42
Christ Church	320.25				
St. Philip		318.17			
Relocation or Replacement	Size of Main / Distance				
	1 <sup>1/4</sup> " 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		125	441.5	14	
Christ Church	242.17	1621.5			
<b>Summary of Mains Laid</b>			<b>Miles</b>	<b>Kilometres</b>	<b>Linear Feet</b>
New Mains			1.24	1.99	6527.42
Relocation/Replacement			0.463	0.745	2444.17
<b>Total Mains Laid</b>			<b>1.703</b>	<b>2.735</b>	<b>8971.58</b>

## Appendix II

### DISTRIBUTION OF INCOME FOR YEARS 2004/05 TO 2014/15

Year	* Income from all sources		Operating Expenses										Net (Loss)/Income Before Share of (Loss)/Profit of Associated Co. (BNOCL)		Share of (Loss)/Profit of Associated Co. (BNOCL)	Total Comprehensive (Loss)/Income for the year
	\$	%	\$	%	Purchase of Gas		Depreciation		Interest Charges		Corporation Tax Credit/(Charge)		\$	%	\$	\$
2015	17,447,911	100	11,569,636	66.76	3,720,533	21.47	2,236,856	12.94	550,443	3.18	2,433,981	14.33	-3,063,538	-18.64	-799,590	-3,863,128
2014	17,131,763	100	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	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	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	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	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	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	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	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	-572,666
2006	13,624,868	100	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	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

\* Gross of discounts and allowances

## Audited Financial Statements

# **National Petroleum Corporation**

Financial Statements  
**March 31, 2015**  
(expressed in Barbados dollars)



## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors

We have audited the accompanying financial statements of **National Petroleum Corporation**, which comprise the balance sheet as of March 31, 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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



*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **National Petroleum Corporation** as of March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Other Matter*

This report is made solely to the Board of Directors, 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*

April 5, 2018  
Bridgetown, Barbados

# National Petroleum Corporation

## Balance Sheet

As of March 31, 2015

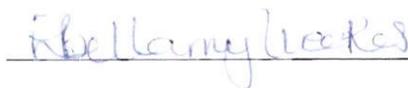
(expressed in Barbados dollars)

	2015 \$	2014 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and at bank (note 4)	1,323,785	1,584,568
Short term deposit (note 4)	–	13,453
Accounts receivable (note 5)	16,424,226	2,741,402
Corporation tax recoverable	13,458	13,458
Inventories (note 6)	919,946	1,007,880
Prepaid expenses	47,627	171,957
	<b>18,729,042</b>	<b>5,532,718</b>
<b>Property, plant and equipment</b> (note 7)	<b>35,583,519</b>	<b>35,727,296</b>
<b>Investment in associated company</b> (note 8)	<b>20,777,072</b>	<b>34,406,800</b>
<b>Deferred tax asset</b> (note 9)	–	2,483,877
<b>Deferred expenses</b> (note 10)	<b>34,500</b>	<b>43,500</b>
	<b>75,124,133</b>	<b>78,194,191</b>
<b>Total assets</b>	<b>75,124,133</b>	<b>78,194,191</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 11)	7,689,033	5,249,926
Due to related company (note 12)	7,726,565	7,462,644
Current portion of borrowings (note 13)	1,755,873	1,557,033
Progress payments received (note 14)	91,313	171,185
	<b>17,262,784</b>	<b>14,440,788</b>
<b>Borrowings</b> (note 13)	<b>5,500,614</b>	<b>6,256,487</b>
<b>Deferred lease premium</b> (note 15)	<b>480,303</b>	<b>510,303</b>
<b>Deferred credit</b> (note 16)	<b>1,781,400</b>	<b>1,783,378</b>
<b>Pension plan liability</b> (note 17)	<b>1,015,641</b>	<b>2,197,378</b>
<b>Capital grants</b> (note 18)	<b>1,274,150</b>	<b>1,333,488</b>
	<b>27,314,892</b>	<b>26,521,822</b>
<b>Total liabilities</b>	<b>27,314,892</b>	<b>26,521,822</b>
<b>Equity</b>		
Capital contributed by Government of Barbados (note 19)	10,407,157	10,407,157
Retained earnings	37,402,084	41,265,212
	<b>47,809,241</b>	<b>51,672,369</b>
<b>Total liabilities and equity</b>	<b>75,124,133</b>	<b>78,194,191</b>

Approved by the Board of Directors on February 22, 2018



Director



Director

# National Petroleum Corporation

## Statement of Changes in Equity

For the year ended March 31, 2015

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Retained earnings \$	Total \$
<b>Balance at March 31, 2013</b>	10,407,157	32,352,897	42,760,054
<b>Comprehensive income for the year</b>			
Net income for the year	–	8,915,868	8,915,868
Other comprehensive loss	–	(3,553)	(3,553)
Total comprehensive income for the year	–	8,912,315	8,912,315
<b>Balance at March 31, 2014</b>	10,407,157	41,265,212	51,672,369
<b>Comprehensive loss for the year</b>			
Net loss for the year	–	(4,110,990)	(4,110,990)
Other comprehensive income	–	247,862	247,862
Total comprehensive loss for the year	–	(3,863,128)	(3,863,128)
<b>Balance at March 31, 2015</b>	10,407,157	37,402,084	47,809,241

# National Petroleum Corporation

## Statement of Comprehensive Income

For the year ended March 31, 2015

(expressed in Barbados dollars)

	2015 \$	2014 \$
<b>Sales</b>		
Natural gas	<u>16,625,853</u>	<u>16,478,890</u>
<b>Operating expenses</b>		
Production, transmission and distribution (note 20)	6,362,586	5,584,441
General, administrative and commercial	8,927,583	6,951,167
Depreciation (notes 7 and 25)	<u>2,236,856</u>	<u>2,193,455</u>
	<u>17,527,025</u>	<u>14,729,063</u>
	(901,172)	1,749,827
<b>Other income</b> (note 21)	<u>574,196</u>	<u>852,452</u>
<b>Operating (loss)/profit</b>	(326,976)	2,602,279
Interest and other loan expenses (note 13)	<u>(550,443)</u>	<u>(569,110)</u>
<b>Net (loss)/income for the year before share of (loss)/profit of associated company</b>	(877,419)	2,033,169
Share of (loss)/profit of associated company (note 8)	<u>(799,590)</u>	<u>7,119,515</u>
<b>(Loss)/income before taxation</b>	(1,677,009)	9,152,684
Taxation (note 9)	<u>(2,433,981)</u>	<u>(236,816)</u>
<b>Net (loss)/income for the year</b>	<u>(4,110,990)</u>	<u>8,915,868</u>
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to income:</i>		
Remeasurements of defined employee benefits	130,199	(199,579)
Deferred income tax release relating to components of other comprehensive income (note 9)	(49,895)	49,895
Share of other comprehensive income of associated company (note 8)	<u>167,558</u>	<u>146,131</u>
<b>Other comprehensive income/(loss) for the year</b>	<u>247,862</u>	<u>(3,553)</u>
<b>Total comprehensive (loss)/income for the year</b>	<u>(3,863,128)</u>	<u>8,912,315</u>

# National Petroleum Corporation

## Statement of Cash Flows

March 31, 2015

(expressed in Barbados dollars)

	2015	2014
	\$	\$
<b>Cash flows from operating activities</b>		
(Loss)/income before taxation	(1,677,009)	9,152,684
Adjustments for:		
Depreciation	2,236,856	2,193,455
Amortisation of deferred expenses	9,000	9,000
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of deferred credit	(121,083)	(117,031)
Amortisation of capital grant	(59,338)	(200,392)
Interest and other loan expenses	550,443	569,110
Interest income	(14,962)	(18,678)
Pension expense	444,045	560,818
Project income	(57,087)	(122,165)
Share of loss/(income) of associated company	799,590	(7,119,515)
Gain on disposal of property, plant and equipment	(17,370)	-
Operating profit before working capital changes	2,063,085	4,877,286
Decrease in short term deposit	13,453	563,127
Increase in accounts receivable	(685,128)	(418,098)
Decrease in inventories	87,934	322,590
Decrease/(increase) in prepaid expenses	124,330	(120,077)
Increase in accounts payable and accrued liabilities	2,439,107	363,784
Increase in amount due to related company	263,921	603,133
Cash generated from operations	4,306,702	6,191,745
Interest and other loan expenses paid	(550,443)	(569,110)
Pension contributions paid	(1,495,583)	(1,620,214)
Progress payments received	96,319	294,952
Net cash from operating activities	2,356,995	4,297,373
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,110,449)	(3,076,971)
Proceeds from disposals of property, plant and equipment	34,742	-
Interest income received	14,962	18,678
Net cash used in investing activities	(2,060,745)	(3,058,293)
<b>Cash flows used in financing activities</b>		
Repayments of borrowings	(557,033)	(1,286,480)
Decrease in cash and cash equivalents	(260,783)	(47,400)
Cash and cash equivalents - beginning of year	1,584,568	1,631,968
Cash and cash equivalents - end of year	1,323,785	1,584,568

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 1 Establishment, principal activity and registered office

The National Petroleum Corporation was established by Act of Parliament in 1979. The principal activity of the Corporation is the supply of natural gas to industrial, commercial and domestic customers.

The registered office of the Corporation is located at Wildey, St. Michael.

## 2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated. Significant accounting policies are as follows:

### a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), under the historical cost convention except as modified by the valuation of land at Wildey at acquisition as disclosed in Note 2(d).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### i) *New standards, amendments and interpretations adopted by the Corporation*

IAS 19 (amendment)	'Employee benefits' (effective July 1, 2014)
IFRS 12	'Disclosures of interests in other entities' (effective January 1, 2014)
IAS 36 (amendment)	'Impairment of Assets' (effective January 1, 2014)

### ii) *New standards, amendments and interpretations mandatory for the first time for the financial period beginning April 1, 2014 but not currently relevant to the Corporation*

IAS 32 (amendment)	'Financial instruments: presentation' (effective January 1, 2014)
IFRS 10 (amendment)	'Consolidated financial statements' (effective January 1, 2014)
IAS 27 (amendment)	'Separate financial statements' (effective January 1, 2014)
IAS 39 (amendment)	'Financial instruments; recognition and measurement' (effective January 1, 2014)

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(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, 2014 and not early adopted*

IFRS 9, 'Financial instruments', retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

IFRS 15, 'Revenue from contracts with customers', 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. The Corporation is yet to assess the full impact of the standard.

#### 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.

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 2 Significant accounting policies ...continued

### d) Property, plant and equipment

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

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

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

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

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

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

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

### e) Accounts payable

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

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 2 Significant accounting policies ...continued

### f) Investment in associated company

The investment in Barbados National Oil Company Limited (BNOCL), an associated company, is accounted for on the equity method of accounting whereby the Corporation's share of BNOCL's net income or loss is included in the Corporation's statement of income and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Corporation's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Corporation does not recognise further losses unless it has incurred obligations or made payments on behalf of the associated company.

### g) Grants and deferred credits

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

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

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

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

### h) Taxation

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

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

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 2 Significant accounting policies ...continued

### i) Provisions

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

### j) Borrowings

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

### k) Pension plan valuation

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

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

### l) Revenue recognition

Sales are recognised upon delivery of service to customers.

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

### m) Foreign currency translation

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

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

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

### 2 Significant accounting policies ...continued

#### n) Cash and cash equivalents

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

### 3 Critical accounting estimates and judgements

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

### 4 Cash resources

	2015 \$	2014 \$
Cash on hand and at bank:		
Petty cash	1,101	900
Current accounts	422,684	869,153
Savings account	900,000	714,515
	<u>1,323,785</u>	<u>1,584,568</u>
Short term deposit	<u>—</u>	<u>13,453</u>

Significant concentrations of cash resources are as follows:

	2015 \$	2014 \$
Republic Bank (Barbados) Limited	<u>1,276,173</u>	<u>1,577,071</u>

The interest rate on the short term deposit at year end was 0.00% (2014 - 1.70%).

The original maturity of the deposit is 365 days.

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

### 5 Accounts receivable

	2015 \$	2014 \$
Trade receivables:		
Customers	4,003,911	2,929,951
Servicing	619,056	593,712
	<u>4,622,967</u>	<u>3,523,663</u>
Less: Provision for impairment of receivables	<u>(1,448,970)</u>	<u>(1,015,607)</u>
Trade receivables - net	3,173,997	2,508,056
Other receivables	252,533	233,346
Dividends receivable (note 8)	<u>12,997,696</u>	<u>—</u>
	<u><u>16,424,226</u></u>	<u><u>2,741,402</u></u>

As at year end, trade receivables of \$1,425,554 (2014 - \$1,500,589) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$871,270 (2014 - \$1,007,467) 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:

	2015 \$	2014 \$
30 to 60 days	858,120	852,180
Over 90 days	<u>13,150</u>	<u>155,287</u>
	<u><u>871,270</u></u>	<u><u>1,007,467</u></u>

As at year end, trade receivables of \$1,448,970 (2014 - \$1,015,607) were impaired and provided for. The aging of these trade receivables is as follows:

	2015 \$	2014 \$
Over 360 days	<u>1,448,970</u>	<u>1,015,607</u>

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

### 5 Accounts receivable ...continued

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

	2015 \$	2014 \$
Balance - beginning of year	1,015,607	911,738
Impairment charge	547,055	216,532
Reversal of provision no longer required	<u>(113,692)</u>	<u>(112,663)</u>
Balance - end of year	<u>1,448,970</u>	<u>1,015,607</u>

Direct write offs to the statement of comprehensive income in respect of impaired receivables were \$Nil (2014 - \$146,484).

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

	2015 \$	2014 \$
Materials and supplies	1,166,095	1,273,400
Provision for obsolescence	<u>(255,618)</u>	<u>(274,989)</u>
Gas	910,477	998,411
	<u>9,469</u>	<u>9,469</u>
	<u>919,946</u>	<u>1,007,880</u>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

## 7 Property, plant and equipment

	Land and buildings \$	Gas wells, pipelines, production and transmission equipment \$	Distribution, plant and equipment \$	Moveable equipment \$	Total \$
<b>At March 31, 2013</b>					
Cost or valuation	5,500,173	8,506,374	70,228,440	6,514,578	90,749,565
Accumulated depreciation	(4,724,042)	(7,869,041)	(37,515,889)	(5,796,813)	(55,905,785)
Net book amount	776,131	637,333	32,712,551	717,765	34,843,780
<b>Year ended March 31, 2014</b>					
Opening net book amount	776,131	637,333	32,712,551	717,765	34,843,780
Additions	7,263	107,236	2,873,524	88,948	3,076,971
Disposals	–	–	(362)	–	(362)
Depreciation on disposals	–	–	362	–	362
Depreciation charge	(182,761)	(43,117)	(1,796,067)	(171,510)	(2,193,455)
Closing net book amount	600,633	701,452	33,790,008	635,203	35,727,296
<b>At March 31, 2014</b>					
Cost or valuation	5,507,436	8,613,610	73,101,602	6,603,526	93,826,174
Accumulated depreciation	(4,906,803)	(7,912,158)	(39,311,594)	(5,968,323)	58,098,878
Net book amount	600,633	701,452	33,790,008	635,203	35,727,296
<b>Year ended March 31, 2015</b>					
Opening net book amount	600,633	701,452	33,790,008	635,203	35,727,296
Additions	10,082	30,654	1,920,159	149,555	2,110,449
Disposals	(27,843)	–	(692)	–	(28,535)
Depreciation on disposals	10,473	–	692	–	11,165
Depreciation charge	(183,315)	(46,178)	(1,848,386)	(158,978)	(2,236,856)
Closing net book amount	410,030	685,928	33,861,781	625,780	35,583,519
<b>At March 31, 2015</b>					
Cost or valuation	5,489,675	8,644,264	75,021,068	6,753,081	95,908,088
Accumulated depreciation	(5,079,645)	(7,958,336)	(41,159,287)	(6,127,301)	(60,324,569)
Net book amount	410,030	685,928	33,861,781	625,780	35,583,519

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

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

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

### 8 Investment in associated company

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

	2015 \$	2014 \$
Balance - beginning of year	34,406,800	27,141,154
Share of (loss)/profit for the year	(799,590)	7,119,515
Share of other comprehensive income for the year	167,558	146,131
Dividends (note 5)	(12,997,696)	—
	<hr/>	<hr/>
Balance - end of year	20,777,072	34,406,800

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

	Assets \$	Liabilities \$	Revenue \$	Net (loss)/profit \$
2015	99,145,082	78,368,010	138,759,894	(799,590)
2014	104,465,205	70,058,405	178,778,047	7,119,515

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

### 9 Deferred tax asset

	2015 \$	2014 \$
Balance - beginning of year	2,483,877	2,670,798
Deferred tax charge (note 22)	(2,433,982)	(236,816)
Deferred income tax (charge)/release relating to components of other comprehensive income	(49,895)	49,895
Balance - end of year	–	2,483,877

The deferred tax asset consists of the following components:

	2015 \$	2014 \$
Delayed tax depreciation	3,165,403	1,220,412
Unutilised tax losses (note 23)	6,050,576	6,517,718
Pension plan liability	1,015,642	2,197,378
	10,231,621	9,935,508
Deferred tax asset at corporation tax rate of 25% (2014 - 25%)	2,557,905	2,483,877

	2015 \$	2014 \$
Recognised	–	2,483,877
Unrecognised	2,557,905	–
	2,557,905	2,483,877

As at March 31, 2015 the deferred tax asset was unrecognised due to the uncertainty of future profits against which to offset.

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

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

### 10 Deferred expenses

\$

#### At March 31, 2013

Cost	108,000
Accumulated amortisation	<u>(55,500)</u>
Net book amount	<u>52,500</u>

#### Year ended March 31, 2014

Opening net balance	52,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>43,500</u>

#### At March 31, 2014

Cost	108,000
Accumulated amortisation	<u>(64,500)</u>
Net book amount	<u>43,500</u>

#### Year ended March 31, 2015

Opening net balance	43,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>34,500</u>

#### At March 31, 2015

Cost	108,000
Accumulated amortisation	<u>(73,500)</u>
Net book amount	<u>34,500</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, 2015

(expressed in Barbados dollars)

## 11 Accounts payable and accrued liabilities

	2015 \$	2014 \$
Customer deposits	1,934,341	1,801,496
Trade payables	627,004	773,726
Payroll deductions	208,518	215,250
Accrued expenses	4,919,170	2,459,454
	<u>7,689,033</u>	<u>5,249,926</u>

## 12 Due to related company

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

## 13 Borrowings

	2015 \$	2014 \$
i) National Insurance Scheme \$3M loan	2,556,487	1,913,520
ii) Bank of Nova Scotia \$14.4M loan	4,700,000	5,900,000
	<u>7,256,487</u>	<u>7,813,520</u>
Current portion	<u>(1,755,873)</u>	<u>(1,557,033)</u>
Long-term portion	<u>5,500,614</u>	<u>6,256,487</u>

	2015 \$	2014 \$
i) National Insurance Scheme \$3M loan - total balance	2,556,487	1,913,520
Less instalments due within twelve months and shown under current liabilities	<u>(555,873)</u>	<u>(357,033)</u>
Long-term portion	<u>2,000,614</u>	<u>1,556,487</u>

The loan is repayable in quarterly instalments of blended principal and interest of \$117,427. The loan bears interest at 6.325% (2014 - 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, 2015

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(expressed in Barbados dollars)

### 13 Borrowings ...continued

	2015 \$	2014 \$
ii) Bank of Nova Scotia \$14.4M loan - total balance	4,700,000	5,900,000
Less instalments due within twelve months and shown under current liabilities	<u>(1,200,000)</u>	<u>(1,200,000)</u>
Long-term portion	<u>3,500,000</u>	<u>4,700,000</u>

The loan is repayable in monthly instalments of \$100,000. The loan bears interest at 6.75% (2014 - 6.75%) per annum.

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

### 14 Progress payments received

Progress payments relate to advances from customers in respect of installations and connection of natural gas infrastructure.

The movement during the year is as follows:

	2015 \$	2014 \$
Balance - beginning of year	171,185	86,196
Additions	96,320	294,952
Taken to income	(57,087)	(122,165)
Transfer to deferred credit (note 16)	<u>(119,105)</u>	<u>(87,798)</u>
Balance - end of year	<u>91,313</u>	<u>171,185</u>

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(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, 2013

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(960,000)</u>
Net book amount	<u>540,303</u>

#### Year ended March 31, 2014

Opening net balance	540,303
Amortisation (note 20)	<u>(30,000)</u>
Closing net balance	<u>510,303</u>

#### At March 31, 2014

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(990,000)</u>
Net book amount	<u>510,303</u>

#### Year ended March 31, 2015

Opening net balance	510,303
Amortisation (note 20)	<u>(30,000)</u>
Closing net balance	<u>480,303</u>

#### At March 31, 2015

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(1,020,000)</u>
Net book amount	<u>480,303</u>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 16 Deferred credit

The Corporation relocated transmission and distribution lines along Foursquare, St. Philip to Searles, Christ Church. The cost of the mains has been capitalised and the monies received from the Ministry of Public Works and Transport for this purpose have been deferred. These amounts are being amortised over the same period as the capital costs to which they relate.

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

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

The costs of mains completed to date at Adams Castle, Country Towers and the Villages at Coverley which were funded by the relevant developers have been deferred. These amounts are being amortised over the same period as the capital costs to which they relate.

The cost of mains installations at Prince Gap, Clermont Plains, Pine Gardens and the Vineyard which were funded by the relevant developers have been deferred and are being amortized over the same period as the capital costs to which they relate.

	2015	2014
	\$	\$
Balance - beginning of year	1,783,378	1,812,611
Amortisation (note 21)	(121,083)	(117,031)
Additions (note 14)	119,105	87,798
	<hr/>	<hr/>
Balance - end of year	1,781,400	1,783,378

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

### 17 Pension plan

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

The plan is integrated with the National Insurance Scheme (NIS) and will provide a member retiring after 33 $\frac{1}{3}$ % years of pensionable services with a pension of two thirds of their final three years average annual pensionable salary when combined with the NIS pension (for members employed prior to September 1, 1975, no deduction is made with respect to the NIS pension).

The triennial valuation of the plan was performed as of April 1, 2013. The actuary recommended a funding rate of 24.62% of the salaries and wages of those under the plan (8.12% to cover current service costs and 16.50% to cover the pension deficit).

	2015	2014
	\$	\$
Present value of funded obligations	15,366,617	15,384,132
Fair value of plan assets	<u>(14,350,976)</u>	<u>(13,186,754)</u>
Net liability at end of year	<u>1,015,641</u>	<u>2,197,378</u>

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

	2015	2014
	\$	\$
Present value of funded obligations, beginning of year	15,384,132	15,179,881
Current service cost	309,605	334,471
Past service cost	–	29,237
Interest cost	1,168,902	1,146,334
Employee contributions	1,200	1,099
Benefits paid	(913,862)	(1,112,521)
<i>Remeasurements:</i>		
Experience gains	<u>(583,360)</u>	<u>(194,369)</u>
Present value of funded obligations, end of year	<u>15,366,617</u>	<u>15,384,132</u>

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

### 17 Pension plan ...continued

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

	2015 \$	2014 \$
Fair value of plan assets - beginning of year	13,186,754	12,122,686
Employer contributions paid	1,495,583	1,620,214
Employee contributions	1,200	1,099
Benefits paid	(913,862)	(1,112,521)
Plan administration expenses	(10,100)	(10,000)
<i>Remeasurements:</i>		
Return on plan assets	591,401	565,276
Fair value of plan assets - end of year	<u>14,350,976</u>	<u>13,186,754</u>

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

	2015 \$	2014 \$
Net liability, beginning of year	2,197,378	3,057,195
Net pension expense included in the statement of comprehensive income (note 24)	444,045	560,818
Remeasurements included in the statement of other comprehensive income	(130,199)	199,579
Contributions paid	<u>(1,495,583)</u>	<u>(1,620,214)</u>
Net liability, end of year	<u>1,015,641</u>	<u>2,197,378</u>

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

	2015 \$	2014 \$
Current service cost	309,605	334,471
Net interest on the net defined benefit liability	124,340	187,110
Past service cost	–	29,237
Plan administration expenses	<u>10,100</u>	<u>10,000</u>
Total included in staff costs	<u>444,045</u>	<u>560,818</u>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

## 17 Pension plan ...continued

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

	2015	2014
	\$	\$
<i>Remeasurements:</i>		
Experience gains	(583,360)	(194,369)
Return on plan assets excluding amounts included in interest expense	453,161	393,948
	<hr/>	<hr/>
Total included in other comprehensive income	(130,199)	199,579

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	1.34	1.23	3.61	7.21	13.39

Principal actuarial assumptions used for accounting purposes were as follows:

	2015	2014
Discount rate at end of year	7.75%	7.75%
Future promotional salary increases	2.00%	2.00%
Future inflationary salary increases	3.00% for one year and 3.75% thereafter	3.00% for one year and 3.75% thereafter
Future pension increases	0.00% for one year and 0.75% thereafter	0.00% for one year and 0.75% thereafter
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 2015 with Projection Scale AA	UP 94 at 2015 with Projection Scale AA

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 17 Pension plan ...continued

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		\$	\$
Discount rate	1%	13,948,628	17,082,836
Salary growth rate	0.5%	15,838,322	14,948,410
Life expectancy	1 year	16,074,464	

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

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

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

### *Changes in deposit administration policy yields*

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

### *Life expectancy*

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

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

The weighted average duration of the defined plan is 10.20 years.

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

### 18 Capital grants

\$

#### Year ended March 31, 2014

Opening net book amount	1,533,880
Amortisation (note 21)	<u>(200,392)</u>
<b>Closing net book amount</b>	<b><u>1,333,488</u></b>

#### At March 31, 2014

Cost	1,533,880
Accumulated amortisation	<u>(200,392)</u>
<b>Closing net book amount</b>	<b><u>1,333,488</u></b>

#### Year ended March 31, 2015

Opening net book amount	1,333,488
Amortisation (note 21)	<u>(59,338)</u>
<b>Closing net book amount</b>	<b><u>1,274,150</u></b>

#### At March 31, 2015

Cost	1,533,880
Accumulated amortisation	<u>(259,730)</u>
<b>Closing net book amount</b>	<b><u>1,274,150</u></b>

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

### 19 Capital contributed by Government of Barbados

This is comprised of:

	2015 \$	2014 \$
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	<u>7,885,355</u>	<u>7,885,355</u>
	<u>10,407,157</u>	<u>10,407,157</u>

### 20 Production, transmission and distribution costs

	2015 \$	2014 \$
Production	3,720,533	3,826,590
Transmission	8,174	14,232
Distribution	<u>2,786,848</u>	<u>1,803,882</u>
	6,515,555	5,644,704
Less:		
Reimbursements through jobbing	(59,337)	(41,909)
Installation and re-connection fees	(147,794)	(121,437)
In house services	<u>54,162</u>	<u>103,083</u>
	<u>6,362,586</u>	<u>5,584,441</u>

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

### 21 Other income

	2015 \$	2014 \$
Project income	57,087	122,165
Interest	14,962	18,678
Rental income	222,078	222,078
Miscellaneous income	69,648	142,108
	<u>363,775</u>	<u>505,029</u>
Amortisation of lease premium (note 15)	30,000	30,000
Amortisation of deferred credit (note 16)	121,083	117,031
Amortisation of capital grant (note 18)	59,338	200,392
	<u>574,196</u>	<u>852,452</u>

### 22 Taxation

	2015 \$	2014 \$
Deferred tax charge (note 9)	<u>2,433,981</u>	<u>236,816</u>

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

	2015 \$	2014 \$
(Loss)/income before taxation	<u>(1,677,009)</u>	<u>9,152,684</u>
Tax calculated at 25% (2014 - 25%)	(419,252)	2,288,171
Tax effect of the following:		
Expenses not deductible for tax purposes	74,538	76,540
Tax allowance claimed	(145,957)	(194,424)
Income not subject to tax	223,703	(1,779,879)
Current prior year under/(over) provision of deferred tax	101,644	(153,592)
Reversal of prior year deferred tax asset	(2,433,981)	—
Movement in deferred tax asset not recognised	165,324	—
	<u>(2,433,981)</u>	<u>236,816</u>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

## 23 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 \$	Adjustment \$	Incurred \$	Expired \$	Balance c/f \$	Expiry date
2006	819,775	(413,548)	—	(406,227)	—	
2007	2,371,892	—	—	—	2,371,892	2016
2008	1,915,347	—	—	—	1,915,347	2017
2009	1,410,704	—	—	—	1,410,704	2018
2015	—	—	352,633	—	352,633	2019
	<u>6,517,718</u>	<u>(413,548)</u>	<u>352,633</u>	<u>(406,227)</u>	<u>6,050,576</u>	

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

## 24 Staff costs

Staff costs comprise the following:

	2015 \$	2014 \$
Salaries, wages and National Insurance	7,750,315	4,900,808
Pension expense (note 17)	444,045	560,818
	<u>8,194,360</u>	<u>5,461,626</u>
The number of persons employed at year end was as follows	<u>110</u>	<u>115</u>

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

### 25 Expenses by nature

	2015	2014
	\$	\$
Depreciation (note 7)	2,236,856	2,193,455
Gas purchased (note 27)	3,720,533	3,826,590
Impairment of receivables	304,002	250,353
Insurance	423,139	468,555
Internal in-house services expenses (net)	54,162	103,083
Land tax	57,875	57,875
Legal fees	15,275	10,409
Maintenance	652,524	660,065
Meter reading, accounting and collection	290,348	430,798
Pensions expense	444,045	560,818
Gratuities	130,199	110,584
Rent	2,475	2,319
Salaries, wages and National Insurance	7,750,315	4,900,808
Special services	200,417	137,649
Supplies	1,090,044	795,348
Travel and utilities	309,633	332,067
Uniforms and safety equipment	52,314	51,633
	<hr/>	<hr/>
Reimbursements through jobbing	17,734,156	14,892,409
Installation and re-connection fees	(59,337)	(41,909)
	<hr/>	<hr/>
Installation and re-connection fees	(147,794)	(121,437)
	<hr/>	<hr/>
Total operating expenses	17,527,025	14,729,063

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 26 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2015/16 of \$1,983,000 (2014/15 - \$1,985,000). None of this expenditure had been contracted for at that date.

## 27 Related party transactions

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

	2015 \$	2014 \$
Purchase of gas	<u>3,720,533</u>	<u>3,826,590</u>

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

	2015 \$	2014 \$
a) Salaries and directors' fees	<u>640,645</u>	<u>872,363</u>
b) Car loans		
Balance - beginning of year	-	33,206
Loan repayments received	<u>-</u>	<u>(33,206)</u>
Balance - end of year	<u>-</u>	<u>-</u>

No provision was required in 2015 or 2014 for the car loans made to key management.

# National Petroleum Corporation

## Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

### 28 Financial risk management

The Corporation's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. Management of the risk factors focuses on collection of receivables and minimising potential adverse effects on the Corporation's performance.

#### a) Market risk

##### i) Foreign exchange risk

The Corporation's transactions in foreign currencies are mainly for purchases of consumable stores and services. These transactions are denominated mainly in United States dollars. Since there is a fixed exchange rate between the Barbados dollar and the United States dollar, management does not consider that there is significant exposure to foreign exchange risk.

##### ii) Cash flow and fair value interest rate risk

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

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

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

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

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

	2015	2014
	\$	\$
Fixed rate borrowings	2,556,487	1,913,520
Variable rate borrowings	4,700,000	5,900,000
	<u>7,256,487</u>	<u>7,813,520</u>

At year end, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net income for the year would have been \$47,000 (2014: \$59,000) lower or higher.

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 28 Financial risk management ...continued

### b) Credit risk

The Corporation takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Corporation by failing to discharge its obligations.

Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables.

Credit limits are defined for commercial customers. The approval process is undertaken on an individual basis before management provides credit to these customers. For residential customers, the risk is managed by requiring customers to make deposits upon application for a new service in order to cover recoverable costs. The Corporation evaluates the financial institutions with which it places cash and cash equivalents. Only reputable financial institutions with high credit ratings are considered.

The maximum credit risk exposure is as follows:

	2015		2014	
	\$	%	\$	%
Cash on hand and at bank	1,323,785	30	1,584,568	37
Short term deposit	—	—	13,453	—
Accounts receivable	3,173,997	70	2,741,402	63
	<b>4,497,782</b>	<b>100</b>	<b>4,339,423</b>	<b>100</b>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

## 28 Financial risk management ...continued

### c) Liquidity risk

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

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

	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$
<b>2015</b>						
<b>Assets</b>						
Cash on hand and at bank	1,323,785	1,323,785	1,323,785	--	--	--
Short term deposit	--	--	--	--	--	--
Accounts receivable	3,173,997	3,173,997	3,173,997	--	--	--
	<b>4,497,782</b>	<b>4,497,782</b>	<b>4,497,782</b>	--	--	--
<b>Liabilities</b>						
Accounts payable	2,561,345	2,561,345	2,561,345	--	--	--
Due to related company	7,726,565	7,726,565	7,726,565	--	--	--
Borrowings	7,256,487	8,387,670	2,236,560	2,140,560	4,010,550	--
	<b>17,544,397</b>	<b>18,675,580</b>	<b>12,524,470</b>	<b>2,140,560</b>	<b>4,010,550</b>	--
<b>Liquidity gap</b>	<b>(13,046,615)</b>	<b>(14,177,798)</b>	<b>(8,026,688)</b>	<b>(2,140,560)</b>	<b>(4,010,550)</b>	--

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

## 28 Financial risk management ...continued

### c) Liquidity risk ...continued

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

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2015

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(expressed in Barbados dollars)

## 28 Financial risk management ...continued

### d) Fair values

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

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

### e) Capital risk management

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

## 29 Subsequent events

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

On January 11, 2018, the cabinet subsequently agreed inter alia:

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

**National Petroleum Corporation**  
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