

ANNUAL REPORT

2016

NATIONAL PETROLEUM CORPORATION

ANNUAL REPORT 2016

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National Petroleum Corporation
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Barbados, West Indies
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September 20th, 2019
Minister of Energy
Division of Energy and Telecommunications
Prime Minister's Office
Government Headquarters
Bay Street
St. Michael

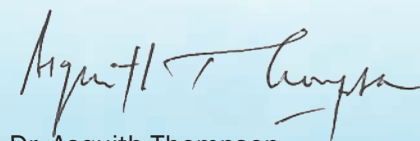
Dear Sir,

Letter of Transmittal

Pursuant to Sections 16 and 19 of the National Petroleum Corporation Act Cap 280, we have the honour to submit the thirty fourth Annual Report and Audited Financial Statements of the Corporation for the financial year ended March 31, 2016.

We note that the Auditor has forwarded to you on September 5th, 2019, the Audited Accounts and Financial Statements of the Corporation in accordance with section 16 (5) of the Act.

Yours faithfully
NATIONAL PETROLEUM CORPORATION



Dr. Asquith Thompson
Chairman

Mission Statement

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

Core Values

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

Service:

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

Honesty:

To conduct our business with honesty and integrity.

Concern:

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

Excellence:

To strive for excellence in all that we do.

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.

THE BOARD OF DIRECTORS



Mr. Noel Greenidge
Chairman



Mr. Ken Linton
Deputy Chairman



Mr. Mark Parris
Entrepreneur



Mr. Winton Gibbs
General Manager
Barbados National Oil
Co Ltd



Ms. Faye Prescod
Public Officer
Ministry of Finance



Mrs. Juliet Downes-Wilson
Consultant



Mr. Algernon Atherley
Former Banker



Ms. Doreen Johnson
Attorney-at-law



Ms. Nancy Solomon
Corporate Executive
Barbados Workers'
Union



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



Mr. Hodson Carrington
Retired
Public Servant



Ms. Laura Rudder
Secretary to the Board of
Directors

Legal Counsel

Mr. Edmund King, QC
Mr. Michael Yearwood

Auditor

PricewaterhouseCoopers SRL

Bankers

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

Committees of the Board of Directors

Finance Committee

Mr. Noel Greenidge – Chairman
Mr. Ken Linton
Mr. Mark Parris
Representative of the Permanent Secretary, Finance - Ms. Fay Prescod
Representative of the Division of Energy & Telecommunications– Mrs. Francine Blackman

Establishments Committee

Mr. Noel Greenidge – Chairman
Mr. Ken Linton
Mrs. Juliet Downes-Wilson
Ms. Doreen Johnson
Representative of the Barbados Workers Union– Ms. Nancy Solomon

Technical Committee

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

Principal Officers

Mr. James St. Elmo Wallace Browne

General Manager

Mr. Birchmore DeCoursey Scantlebury

Manager – Finance

Ms. Mechelle Maria Smith

Manager – Human Resources & Administration

Mr. Roger Emmanuel Arthur Martindale

Manager – Technical Operations

Mrs. Andrea Monique Burnett-Edward

Technical Officer

Mr. Wosley John Wayne Holder

Technical Officer/Service Installations Coordinator

Senior Officers

Technical Operation

Jamal Squires, Petroleum Engineer

Michael D. Bascombe, Superintendent (ag)

Dave Downes, Foreman (ag)

Michael J. Bascombe, Foreman (ag)

Charles Price, Supervisor Drawings & Records

Human Resources & Administration

Basil Smart, Administrative Officer

Francine Forde, Human Resources Officer

Finance & Accounting

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 (retired during the year)

Noel King, Information Technology Officer (Ag)

BUSINESS SUMMARY

Over the past year, 2015 through 2016, the Corporation worked tirelessly to re-establish itself as a reliable service provider for the supply of natural gas to several customers throughout the country. The Division of Energy and Telecommunications (DET), the Board of Directors and Management re-examined the strategic tenets that guided the development of the Corporation from less than 8,000 customers in 1981 to more than 20,000 in 2015. A short, medium and long term strategic plan resulted in mechanisms and plans that would promote the sustainability of the entity for years to come.

The collaboration between the National Petroleum Corporation (NPC) and the Barbados National Oil Company Ltd. (BNOCL) to complete the regasification plant was one of these critical ventures along with business optimization plans both from a business processing perspective and the optimization of human capital and current operational systems. Management paid special focus to the key performance indicators in order to drive productivity. These included:

- The optimization of revenue from the sale of natural gas - management submitted a new price mechanism to DET;
- The optimization of the cost of sales - KPMG led a change management process to optimize resources amongst the entities;
- The Corporation was in the process of concluding a loan agreement with the Inter-American Development Bank to assist with financing of systems and infrastructure to facilitate the modernization of the NPC and the BNOCL.
- Work continued in reducing gas loss through a project driven process with the ultimate target being less than 5%.

In summary, while the Corporation has endeavoured during a challenging period of uncertainty with inadequate gas supply, the resolve of the Board, management and staff has resulted in a stronger organization that is better equipped to address all customer needs in a holistic and all-encompassing manner.

Liquefied Natural Gas (LNG)

In November 2015, the National Petroleum Corporation in collaboration with the Barbados National Oil Company Ltd. (BNOCL), constructed a re-gasification facility in Woodbourne, St Philip to process imported LNG. This plant, which was commissioned in December 2015 at a cost of approximately \$2.5 million, was established:

- 1) As a contingency measure to supplement local supply;
- 2) To ensure that adequate supplies of natural gas were sustained;
- 3) To avoid the recurrence of a natural gas outage as had occurred the previous year.

During the initial trial, short-term contracts were negotiated with three entities, ICON LNG Holdings, New Fortress Energy Marketing and AES Andres B.V to supply the LNG for the period covering December 2015 to February 2016. As at March 31, 2016 cryogenic containers carrying 71,301 gallons of LNG were imported. The LNG was re-gasified at the LNG facility and injected into NPC's pipeline network.



New Fortress Energy Isotainer at LNG Facility, Woodbourne, St Philip

Rate Increase

There has been no increase in commercial rates for natural gas since 1994, though operational costs increased significantly. Consequently, NPC submitted a rate increase proposal to its parent Ministry for consideration and representatives from NPC, the DET along with the Minister of Energy, met to discuss the rate increase proposal. This meeting was pertinent as the existence of the Corporation had reached a point where its financial viability did not match its national operational value and the sustainability of the operation was a growing concern to many.

Amalgamation of NPC and BNOCL

During the period, discussions between the NPC and BNOCL's top management, Board of Directors and the DET continued on the amalgamation process. Subsequently, several initiatives were established to advance the process with the following major actions being taken

- Common Services Agreements between the two entities were approved which were designed to achieve efficiencies and synergies within the business operations.
- The Organizational Structure and Corporate Structure of the new entity was approved by each Board
- The procedures to repeal the National Petroleum Corporation Act Cap 280 to vest the new entity into a new company commenced in early March.
- Change Management Consultants, KPMG, began the next stage of the amalgamation, that is, discussion of the Design Principles and its impact on the organisational structure.
- NPC was scheduled to adopt the Enterprise Resource Planning Software, SAP and the Human Resource Software, Kronos.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR BUSINESS

The National Petroleum Corporation is a government owned corporation established as successor to the Natural Gas Corporation by the National Petroleum Corporation Act Cap 280 which 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 the remaining 75.5%.

The Corporation is managed by a Board of Directors, comprised of eleven members under the chairmanship of Mr. Noel Greenidge.

TECHNICAL OPERATIONS OVERVIEW

During the fiscal year April 1 2015 to March 31 2016 the National Petroleum Corporation (hereinafter called "the Corporation") executed the following activities:

- a) The installation of 1.52 Kilometres (or 0.95 miles) of new distribution pipelines in the parishes of St. Michael, St. Philip and Christ Church;
- b) The replacement of 3.05 Kilometres (or 1.90 miles) of distribution pipeline as part of our infrastructure maintenance programme in the parishes of St. Michael, St. James, Christ Church and St. Thomas;
- c) The relocation of 0.37 kilometers (or 0.23 miles) of natural gas pipeline due to circumstances such as (i) a private land owner withdrawing permission to have natural gas infrastructure installed on their land; (ii) natural gas infrastructure being removed from its existing location for safety concerns; or (iii) the necessity of having the natural gas pipeline infrastructure removed from its existing location to facilitate land development. The cost of executing such relocation work was generally borne by the requesting party.

The Corporation, in its thrust to satisfy demand, seeks to ensure that all persons who apply for a natural gas supply, at the domestic and residential level, can achieve such a supply.

GAS LOSS EFFICIENCIES FOR FISCAL YEAR ENDING 2016

The National Petroleum Corporation (hereinafter called "the NPC") has a generally aged natural gas infrastructure, as it relates to the natural gas distribution pipeline system. The aged

pipeline system is principally in the Bridgetown, St. Michael areas and its environs and along the Highway 7 up to Dover, Christ Church in the east, and as far as Spring Garden, St. Michael in the South-west. In addition, there is aged distribution infrastructure in existence off-road within the wooded area of Trents, St. James, east of Highway 1.

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

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

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

Gas Loss Efficiency Data

No.	Months/Years	Gas Loss As A percentage (%)	Percentage Gas Available For Sale (%)
1	April	4.10	95.90
2	May	9.28	90.72
3	June	5.63	94.37
4	July	11.37	88.63
5	August	6.83	93.17
6	September	9.95	90.05
7	October	9.64	90.36
8	November	3.46	96.54
9	December	1.03	98.97
10	January	5.82	94.18
11	February	1.10	98.90
12	March	0.96	99.04

From the tabulated data provided, on a monthly basis, the average natural gas loss and the percentage gas available for sale, for the fiscal year are 5.76% and 94.24% respectively. These figures are marginally varied from the policy position taken by the NPC Board of Directors.

There are many instances where the policy position of gas loss efficiencies was not achieved within specific months. Generally, the reasons included, (a) the NPC infrastructure suffered damage from third parties (b) unreported leaks especially within the off-road areas, and (c) where meter readings were estimated based on the particular time of the month (mainly week-ends). However, with the availability of financial resources within our budgets, and with the exercise of financial prudence, we endeavour to improve on our operational efficiencies, as we go forward into the next fiscal year 2017.

FINANCIAL PERFORMANCE OVERVIEW

The financial year ended March 31, 2016 recorded a profit before share of loss of associated company of \$920,078.00. This was a return to profitability after the comparative loss of \$877,419.00 in the prior year. However, the share of the loss of the associated company (\$2,418,032.00) and other comprehensive loss (\$596,398.00) resulted in the total comprehensive loss of \$2,094,352.00. This reduced the loss by 46%.

The table below illustrates the comparative highlights of the statements of income for the last three years.

Expressed in thousands	2015-16	2014-15	Variance	2013-14	Variance
Gas Sales	16,402	16,626	-1%	16,479	1%
Operating expenses	15,850	17,527	-10%	14,729	19%
Other income	749	574	31%	852	-33%
Operating profit	1,404	(327)	-529%	2,602	-113%
Interest & other loan expenses	484	550	-12%	569	-3%
Net income (loss) before loss of associated company	920	(877)	-205%	2,033	-143%

Appendix 2 further shows the distribution of income for the years 2006-07 to 2015-16.

Gas Sales

There has been marginal decrease in gas sales revenue for the year with no significant expansion of the grid to new residential areas nor installation of new services for large commercial entities. Total gas sales decreased from \$16,402,010.00 in the current year compared to \$16,625,853.00 in the prior year. The active customer base fell from 20,930 in during the 2014-15 fiscal year to 20,858 in 2015-16 fiscal year.

See the table below which segments the gas sales revenue.

Expressed in thousands	2015-16	2014-15	Variance	Explanation
Residential	4,357	4,423	-1%	Marginal decrease of sales volumes by 2% Marginal increase of sales volumes by 4% Sales price decreased from \$1.15 to \$0.69
Commercial	11,612	11,396	2%	
Special Rate	446	808	-45%	
	16,415	16,627	-1%	
Allowances	(13)	(2)	550%	
Total	16,402	16,625	-1%	

Operating Expenses

Total operating expenses fell by 10% in the current year as compared to the prior year.
The table below segments these expenses.

Expressed in thousands	2015-16	2014-15	Variance	Explanation
Production, transmission & distribution	6,392	6,363	0%	Increase in maintenance activities Retro-active payment in prior year
General, administrative & commercial	7,206	8,928	-19%	
Depreciation	2,252	2,237	1%	
Total	15,850	17,528	-10%	

Balance Sheet Highlights

At March 31, 2016, total assets of the Corporation valued \$75,158,252.00. The table below shows the balance sheet highlights for the year.

Expressed in thousands	2015-16	2014-15	Variance	Explanation
Assets				
Cash and cash equivalents	2,277	1,324	72%	Funds received from capital grant and cash earned from operating activities
Accounts receivable	16,255	16,424	-1%	
Inventory	706	920	-23%	Inventory consumed in operating activities
Prepaid expenses	51	48	6%	
Property, plant and equipment	37,484	35,584	5%	Extension of gas network and construction of LNG plant
Investment in associated company	18,346	20,777	-12%	Share of loss of associated company
Deferred expenses	26	35	-26%	
Liabilities and equity				
Accounts payable and accrued liabilities	7,854	7,689	2%	
Due to related company	10,247	7,727	33%	Outstanding invoices for gas purchases
Long-term debt (including current portion)	5,501	7,257	-24%	Repayment of loans
Progress payments received	56	91	-38%	Contribution from developers and transfer to deferred credit and project income
Deferred lease premium	450	480	-6%	Amortization of lease premium
Deferred credit	1,724	1,781	-3%	Transfer from progress payment and amortization of deferred credit
Pension plan liability	449	1,016	-56%	Pension expense and re-measurements less contributions paid

HUMAN RESOURCES OVERVIEW

The National Petroleum Corporation has long enjoyed the benefit of having employees on staff with lengthy tenures. However, as a consequence, it is expected that there will be periods where higher numbers of retirees will vacate posts during particular years. As such, the Human Resources and Administration (HR &A) Department has to maintain its efforts to prepare the Corporation for the eventual retirement of key personnel.

Staffing & Recruitment

For the period under review, the Corporation saw seven persons retiring with tenures ranging from 33 to 41 years of service.

The Corporation announced the appointment of three persons to permanent staff. The staff complement was 110 at March 31, 2016, as compared with 115 as at March 31, 2015. This amount included the recruitment of temporary employees to assist with some operational requirements.

Proposed Amalgamation of the Barbados National Oil Company Limited and the National Petroleum Corporation

The Government of Barbados put forward a position to amalgamate a number of state-owned entities, in line with agreements with the International Monetary Fund. Based on this position, the Barbados National Oil Company Limited and the National Petroleum Corporation have engaged in dialogue on the matter and would have communicated with staff and other stakeholders, inclusive of the Barbados Workers Union (BWU) and the National Union of Public Workers (NUPW).

Employee Appreciation Week, Annual Christmas Luncheon and Awards Ceremony

In an acknowledgment of the employees' dedication and support during the year under review the Corporation facilitated its annual Employee Appreciation Week during the period December 14-18, 2015. During this week, there were organized giveaways for staff and the Corporation worked with the Division of Energy on its LED Promotion. The week culminated with a staff luncheon held at the Sugar Land Gardens.

Compensation & Benefits

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

Training & Development

During the financial year ended March 30, 2016, the department coordinated a variety of training and development opportunities aimed at building capacity and included, but was not limited to the following key areas:

Change Management
Defensive Driving
P. E. Pipe Fusion
Energy Efficiency
Project Cycle Management

Financial Literacy
Pipeline Inspection
Welding
LNG Safety and Operations Training
First Aid

The number of training hours totalled 1,092 hours for the period under review.

Retirees

The Corporation acknowledges that its reputation is built on the service of committed employees, whose contribution has helped it to achieve its operational and strategic goals. The period under review saw seven long-standing employees retiring with tenures ranging from 33 to 41 years of service.



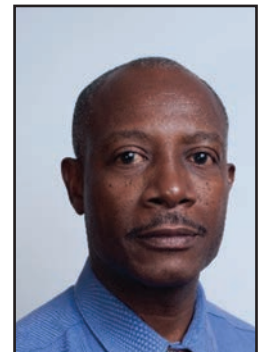
Michael Blackett
41 years of service



Rhonda Clarke
35 years of service



Trevor Murray
33 years of service



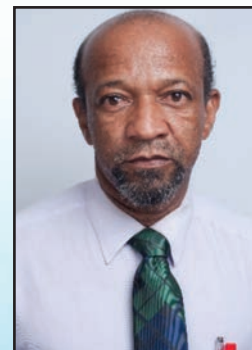
Jeffrey Jordan
38 years of service



Simon Nurse
33 years of service



Eslyn Gilkes
35 years of service



Rumalsden Ward
35 years of service

Recognition of Long Service Awards

The Corporation recognized the long service of several staff members in various categories. A total of twenty-two (22) staff members were honored for their sterling contribution to the Corporation.

Long Service Awardees 10 years:



Andrea Burnett-Edward
Petroleum Engineer



Harold Carter
General Worker

Long Service Awardees 15 years:



Anthrica Hoyte
Clerk/Typist



Wendy Forde
Clerk Typist



Veronica Phillips
Commercial Clerk

Long Service Awardees 25 years:



Kathy Moseley
Secretary, Human Resources
and Administration

Long Service Awardees 30 years:



David Barrow
Driller



Michael D. Bascombe
Superintendent (Ag)



Keith Durant
General Worker



Wesley Forde
Marketing and Sales
Representative



Everton Hoyte
Meter Reader



Robert Greaves
Artisan

Long Service Awardees 35 years:

Rhonda Clarke,
Executive Secretary
(retired in 2015)



Euclid Forde
Storekeeper



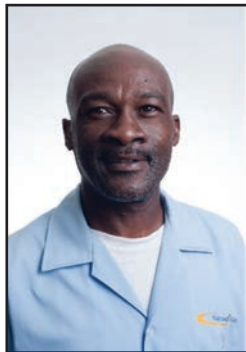
Eslyn Gilkes,
Secretary, Technical
Operations
(retired in 2016)



Wosley Holder
Technical Officer – Services
Installation Coordinator



Noel King
Information Technology
Officer (Ag)



Lloyd Marshall
Fitter



Cheryl Millar
Accounts Clerk
General Ledger



Charles Price
Drawing Office Supervisor



Birchmore Scantlebury
General Manager (Ag)



Basil Smart
Administrative Officer



NPC

**NATIONAL
PETROLEUM
CORPORATION**

Annual Report

NATIONAL PETROLEUM CORPORATION

2016

APPENDIX I

Long Service Awardees 10 years:

SUMMARY OF MAINS LAID APRIL 1, 2015 TO MARCH 31, 2016

New Mains	Size of Main/ Distance in Feet				
	1 1/4" H.P.P.E	2" H.P P.E	3" H.P P.E	4" H.P.P.E	6" H.P.P.E
St Michael	1,679.42	20	280	763.25	1 1/4" H.P STEEL
St Philip				1,463.41	
Christ Church	67.66	707.50			
Relocation/ Replacement/Renewal	Size of Main/ Distance in Feet				
	1 1/4" H.P.P.E	2" H.P P.E	3" H.P P.E	4" H.P.P.E	6" H.P.P.E
St Michael	729.25	70.08	469.66	882.00	8,040.42
St James				35.24	
St Philip				3.50	
St Thomas	17	948			
Summary of Mains Laid					Linear Feet
New Mains					Kilometres
Relocation/Replacement					Miles
Total Mains Laid					Linear Feet
					4,981.24
					11,221.98
					16,203.22

APPENDIX II

DISTRIBUTION OF INCOME FOR YEARS 2006/07 TO 2015/16

Year	*Income from all sources		Operating Expenses						Interest Charges		Corporation Tax Credit/(Charge)		Net (Loss)/Income Before Share of Profit/(Loss) of Associated Co. (BNOCL)		Share of Profit/(Loss) of Associated Co. (BNOCL)	Total Comprehensive Income/(Loss) for the year
	\$	%	Transmission, Distribution, Administration and Commercial	Purchase of Gas	Depreciation	\$	%	\$	%	\$	%	\$	%	\$	\$	\$
2016	16,657,355	100.00	9,848,245	59.12	3,749,813	22.51	2,251,603	13.52	484,014	2.91	0	0.00	323,680	1.94	-2,418,032	-2,094,352
2015	17,447,911	100.00	11,569,636	66.31	3,720,533	21.32	2,236,856	12.82	550,443	3.15	2,433,981	13.95	-3,063,538	-17.56	-799,590	-3,863,128
2014	17,131,763	100.00	8,709,018	50.84	3,826,590	22.34	2,193,455	12.80	569,110	3.32	186,921	1.09	1,646,669	9.61	7,265,646	8,912,315
2013	15,923,765	100.00	8,374,265	52.59	3,763,283	23.63	2,092,923	13.14	481,688	3.02	158,696	1.00	1,052,910	6.61	6,938,300	7,991,210
2012	15,468,266	100.00	8,863,114	57.30	3,699,675	23.92	2,071,862	13.39	508,114	3.28	500	0.00	325,001	2.10	13,178,056	13,503,057
2011	17,975,843	100.00	8,915,103	49.59	3,604,777	20.05	2,096,013	11.66	609,100	3.39	2,954,583	16.44	-203,733	-1.13	11,041,102	10,837,369
2010	15,117,565	100.00	9,007,523	59.58	1,479,252	9.78	2,164,693	14.32	741,512	4.90	0	0.00	1,724,585	11.41	0	1,724,585
2009	14,683,807	100.00	7,994,446	54.44	6,572,809	44.76	2,079,465	14.16	959,290	6.53	0	0.00	-2,922,203	-19.90	0	-2,922,203
2008	15,201,146	100.00	6,971,535	45.86	5,174,760	34.04	2,207,017	14.52	1,189,878	7.83	0	0.00	-342,044	-2.25	-15,470,210	-15,812,254
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	-572,666
* Gross of discounts and allowances																

National Petroleum Corporation
Financial Statements
March 31, 2016
(expressed in Barbados Dollars)



Independent auditor's report

To the Board of Directors

Our qualified opinion

In our opinion, except for the possible effect of the matter described in the basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the financial position of National Petroleum Corporation (the Corporation) as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2016;
- the statement of changes in equity for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

Included in investment in associated company on the statement of financial position and share of loss of associated company on the statement of comprehensive income are amounts of \$18,346,229 and \$2,418,032 respectively in relation to the Corporation's interest in Barbados National Oil Company Limited (BNOCL). The BNOCL consolidated balance sheet includes \$20,895,833 due from the Government of Barbados for VAT which has been building up over a number of years. Management of the associated company has not been able to conclude when the amount will be collected but believe that the carrying value is not materially different to its fair value. In the absence of information to allow the associated company's auditor to conclude on the full collectability of the balance and on the timing of future settlement, the associated company's auditor has been unable to satisfy themselves as to the appropriate carrying value of the amount due from the Government of Barbados, and whether or not any impairment is necessary against the balance as at the year end. As a result, we are unable to determine whether any adjustments are required to investment in associated company on the statement of financial position and share of the loss of associated company on the statement of comprehensive income for the current year. Pursuant to instructions from the Ministry of Finance, Economic Affairs and Investment to write off intragovernmental debt incurred prior to September 1, 2018 the associated company wrote off these amounts effective December 31, 2018.



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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended March 31, 2016 (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the auditor's report date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Other Matter

This report is made solely to the Board of Directors, as a body, in accordance with the National Petroleum Corporation Act, Cap 280 Section 16. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Board of Directors as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRW

Bridgetown, Barbados
September 20, 2019

National Petroleum Corporation

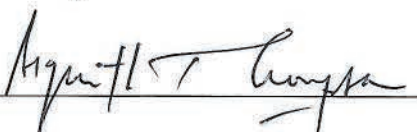
Statement of Financial Position

As of March 31, 2016

(expressed in Barbados dollars)

	2016 \$	2015 \$
Assets		
Current assets		
Cash on hand and at bank (note 4)	2,276,943	1,323,785
Accounts receivable (note 5)	16,255,469	16,424,226
Corporation tax recoverable	13,458	13,458
Inventories (note 6)	706,032	919,946
Prepaid expenses	50,583	47,627
	<u>19,302,485</u>	<u>18,729,042</u>
Property, plant and equipment (note 7)	37,484,038	35,583,519
Investment in associated company (note 8)	18,346,229	20,777,072
Deferred expenses (note 9)	25,500	34,500
	<u>75,158,252</u>	<u>75,124,133</u>
Total assets		
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	7,853,557	7,689,033
Due to related company (note 11)	10,247,045	7,726,565
Current portion of borrowings (note 12)	1,791,876	1,755,873
Progress payments received (note 13)	55,961	91,313
	<u>19,948,439</u>	<u>17,262,784</u>
Borrowings (note 12)	3,708,738	5,500,614
Deferred lease premium (note 14)	450,303	480,303
Deferred credit (note 15)	1,723,605	1,781,400
Pension plan liability (note 16)	448,639	1,015,641
Capital grants (note 17)	3,163,639	1,274,150
	<u>29,443,363</u>	<u>27,314,892</u>
Total liabilities		
Equity		
Capital contributed by Government of Barbados (note 18)	10,407,157	10,407,157
Retained earnings	35,307,732	37,402,084
	<u>45,714,889</u>	<u>47,809,241</u>
Total liabilities and equity	<u>75,158,252</u>	<u>75,124,133</u>

Approved by the Board of Directors on September 20, 2019

 Director

 Director

National Petroleum Corporation

Statement of Changes in Equity

For the year ended March 31, 2016

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Retained earnings \$	Total \$
Balance at March 31, 2014	10,407,157	41,265,212	51,672,369
Comprehensive loss for the year			
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)
Balance at March 31, 2015	10,407,157	37,402,084	47,809,241
Comprehensive loss for the year			
Net loss for the year	–	(1,497,954)	(1,497,954)
Other comprehensive loss	–	(596,398)	(596,398)
Total comprehensive loss for the year	–	(2,094,352)	(2,094,352)
Balance at March 31, 2016	10,407,157	35,307,732	45,714,889

National Petroleum Corporation

Statement of Comprehensive Income

For the year ended March 31, 2016

(expressed in Barbados dollars)

	2016 \$	2015 \$
Sales		
Natural gas	16,402,010	16,625,853
Operating expenses		
Production, transmission and distribution (note 19)	6,391,973	6,362,586
General, administrative and commercial	7,206,085	8,927,582
Depreciation (notes 7 and 24)	2,251,603	2,236,857
	15,849,661	17,527,025
	552,349	(901,172)
Subsidy from Government	102,410	–
Other income (note 20)	749,333	574,196
Operating profit	1,404,092	(326,976)
Interest and other loan expenses (note 12)	(484,014)	(550,443)
Net income/(loss) for the year before share of loss of associated company	920,078	(877,419)
Share of loss of associated company (note 8)	(2,418,032)	(799,590)
Loss before taxation	(1,497,954)	(1,677,009)
Taxation (note 21)	–	(2,433,981)
Net loss for the year	(1,497,954)	(4,110,990)
Other comprehensive income:		
<i>Items that will not be reclassified to income:</i>		
Remeasurements of defined employee benefits	(583,587)	130,199
Deferred income tax release relating to components of other comprehensive income	–	(49,895)
Share of other comprehensive (loss)/income of associated company (note 8)	(12,811)	167,558
Other comprehensive (loss)/income for the year	(596,398)	247,862
Total comprehensive loss for the year	(2,094,352)	(3,863,128)

National Petroleum Corporation

Statement of Cash Flows

March 31, 2016

(expressed in Barbados dollars)

	2016 \$	2015 \$
Cash flows from operating activities		
Loss before taxation	(1,497,954)	(1,677,009)
Adjustments for:		
Depreciation	2,251,603	2,236,856
Amortisation of deferred expenses	9,000	9,000
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of deferred credit	(122,066)	(121,083)
Amortisation of capital grant	(69,100)	(59,338)
Interest and other loan expenses	484,014	550,443
Interest income	(13,755)	(14,962)
Pension expense	344,994	444,045
Project income	(81,632)	(57,087)
Share of loss of associated company	2,418,032	799,590
Gain on disposal of property, plant and equipment	(23,522)	(17,370)
Operating profit before working capital changes	3,669,614	2,063,085
Decrease in short term deposit	—	13,453
Decrease/(increase) in accounts receivable	168,757	(685,128)
Decrease in inventories	213,914	87,934
(Increase)/decrease in prepaid expenses	(2,956)	124,330
Increase in accounts payable and accrued liabilities	164,524	2,439,107
Increase in amount due to associated company	2,520,480	263,921
Cash generated from operations	6,734,333	4,306,702
Interest and other loan expenses paid	(484,014)	(550,443)
Pension contributions paid	(1,495,583)	(1,495,583)
Progress payments received	110,550	96,319
Net cash from operating activities	4,865,286	2,356,995
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,390,448)	(2,110,449)
Proceeds from disposals of property, plant and equipment	261,849	34,742
Interest income received	13,755	14,962
Net cash used in investing activities	(4,114,844)	(2,060,745)
Cash flows used in financing activities		
Repayments of borrowings	(1,755,873)	(557,033)
Capital grant received	1,958,589	—
Net cash from/(used in) financing activities	202,716	(557,033)
Increase/(decrease) in cash and cash equivalents	953,158	(260,783)
Cash and cash equivalents - beginning of year	1,323,785	1,584,568
Cash and cash equivalents - end of year	2,276,943	1,323,785

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

1 Establishment, principal activity and registered office

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

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

2 Significant accounting policies

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

a) Basis of preparation

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

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

i) *New standards, amendments and interpretations to existing standards effective in the 2016 financial year*

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

Amendment to IAS 19, 'Employee benefits', effective July 1, 2014. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

ii) *New standards, amendments and interpretations to existing standards effective in the 2016 financial year, but not relevant*

There are no new standards, amendments and interpretations to existing standards effective in the 2016 financial year that are not relevant.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

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

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and has determined that the following are relevant to the Corporation's operations. The Corporation has not early adopted the new standards, amendments and interpretations nor has the Corporation assessed their full impact.

IAS 1 (Amendment)	'Presentation of financial statements on the disclosure initiative. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports (effective January 1, 2016).
IAS 7 (Amendment)	'Statement of cash flows' on disclosure initiative. These amendments introduce additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities (effective January 1, 2017).
IFRS 9	'Financial instruments' simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value where the basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset (effective January 1, 2018).
IFRS 15	'Revenue from contracts with customers'. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers (effective January 1, 2017).
IFRS 16	'Leases'. This new standard now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts (effective January 1, 2019).

b) Accounts receivable

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

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

c) Inventories

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

d) Property, plant and equipment

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

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

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

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

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

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

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

Costs incurred which are directly attributable to capital projects are categorised as construction in progress and capitalised. If it is determined that capitalised costs are no longer justifiable, the related costs are written off.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

e) Accounts payable

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

f) Investment in associated company

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

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

g) Grants and deferred credits

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

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

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

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

h) Taxation

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

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

i) Provisions

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

j) Borrowings

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

k) Pension plan valuation

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

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

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

l) Revenue recognition

Sales are recognised upon delivery of service to customers.

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

m) Foreign currency translation

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

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

n) Cash and cash equivalents

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

3 Critical accounting estimates and judgements

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

4 Cash resources

	2016 \$	2015 \$
Cash on hand and at bank:		
Petty cash	1,101	1,101
Current accounts	1,150,000	422,684
Savings account	1,125,842	900,000
	<u>2,276,943</u>	<u>1,323,785</u>

Significant concentrations of cash resources are as follows:

	2016 \$	2015 \$
Republic Bank (Barbados) Limited	<u>2,001,255</u>	<u>1,276,173</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

5 Accounts receivable

	2016 \$	2015 \$
Trade receivables:		
Customers	3,726,297	4,003,911
Servicing	604,886	619,056
	<u>4,331,183</u>	<u>4,622,967</u>
Less: Provision for impairment of receivables	(1,335,684)	(1,448,970)
Trade receivables - net	2,995,499	3,173,997
Other receivables	262,274	252,533
Dividends receivable	12,997,696	12,997,696
	<u>16,255,469</u>	<u>16,424,226</u>

As at year end, trade receivables of \$1,550,207 (2015 - \$1,425,554) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$1,445,292 (2015 - \$871,270) 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:

	2016 \$	2015 \$
30 to 60 days	765,703	858,120
Over 90 days	679,589	13,150
	<u>1,445,292</u>	<u>871,270</u>

As at year end, trade receivables of \$1,335,684 (2015 - \$1,448,970) were impaired and provided for. The aging of these trade receivables is as follows:

	2016 \$	2015 \$
Over 360 days	1,335,684	1,448,970

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

5 Accounts receivable ...continued

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

	2016 \$	2015 \$
Balance - beginning of year	1,448,970	1,015,607
Impairment charge	—	547,055
Reversal of provision no longer required	(113,286)	(113,692)
Balance - end of year	1,335,684	1,448,970

Direct write backs to the statement of comprehensive income in respect of impaired receivables were \$77,989 (2015 - \$129,361).

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

	2016 \$	2015 \$
Materials and supplies	928,291	1,166,095
Provision for obsolescence	(231,728)	(255,618)
Gas	696,563 9,469	910,477 9,469
	706,032	919,946

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

7 Property, plant and equipment

At March 31, 2014

Cost or valuation					
Accumulated depreciation	5,507,436 (4,906,803)	– –	8,613,610 (7,912,158)	73,101,602 (39,311,594)	6,603,526 (5,968,323)
Net book amount	600,633	–	701,452	33,790,008	635,203
					93,826,174 (58,098,878)
					35,727,296

Year ended March 31, 2015

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	2,110,450
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)	(2,236,857)
Closing net book amount	410,030	–	685,928	33,861,781	625,780	35,583,519

At March 31, 2015

Cost or valuation	5,489,675	–	8,644,264	75,021,068	6,753,081	95,908,088
Accumulated depreciation	(5,079,645)	–	(7,958,336)	(41,159,287)	(6,127,301)	(60,324,569)
Net book amount	410,030	–	685,928	33,861,781	625,780	35,583,519

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

7 Property, plant and equipment ...continued

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

a) Property, plant and equipment other than land at Wilkey are stated at historical cost.

b) The land at Wilkey, which was granted to the Corporation by the Government of Barbados in 1978, is stated at its estimated value at that time of \$218,000. (Note 18).

c) Construction in progress relates to a LNG plant which is being constructed at Barbados National Oil Company Limited, Woodbourne, St. Philip.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

8 Investment in associated company

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

	2016 \$	2015 \$
Balance - beginning of year	20,777,072	34,406,800
Share of loss for the year	(2,418,032)	(799,590)
Share of other comprehensive (loss)/income for the year	(12,811)	167,558
Dividends	—	(12,997,696)
Balance - end of year	<u>18,346,229</u>	<u>20,777,072</u>

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 \$
2016	<u>95,151,205</u>	<u>76,804,976</u>	<u>94,989,625</u>	<u>(2,418,032)</u>
2015	<u>99,145,082</u>	<u>78,368,010</u>	<u>138,759,894</u>	<u>(799,590)</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

9 Deferred expenses

\$

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>

Year ended March 31, 2016

Opening net balance	34,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>25,500</u>

At March 31, 2016

Cost	108,000
Accumulated amortisation	<u>(82,500)</u>
Net book amount	<u>25,500</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, 2016

(expressed in Barbados dollars)

10 Accounts payable and accrued liabilities

	2016 \$	2015 \$
Customer deposits	1,976,821	1,934,341
Trade payables	662,399	627,004
Payroll deductions and costs	181,139	208,518
Accrued expenses	5,033,198	4,919,170
	<u>7,853,557</u>	<u>7,689,033</u>

11 Due to related company

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

12 Borrowings

	2016 \$	2015 \$
i) National Insurance Scheme \$3M loan	2,000,614	2,556,487
ii) Bank of Nova Scotia \$14.4M loan	3,500,000	4,700,000
	<u>5,500,614</u>	<u>7,256,487</u>
Current portion	(1,791,876)	(1,755,873)
	<u>3,708,738</u>	<u>5,500,614</u>

	2016 \$	2015 \$
i) National Insurance Scheme \$3M loan - total balance	2,000,614	2,556,487
Less instalments due within twelve months and shown under current liabilities	(591,876)	(555,873)
	<u>1,408,738</u>	<u>2,000,614</u>

The loan is repayable in quarterly instalments of blended principal and interest of \$176,140. The loan bears interest at 6.325% (2015 - 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, 2016

(expressed in Barbados dollars)

12 Borrowings ...continued

	2016 \$	2015 \$
ii) Bank of Nova Scotia \$14.4M loan - total balance	3,500,000	4,700,000
Less instalments due within twelve months and shown under current liabilities	(1,200,000)	(1,200,000)
Long-term portion	2,300,000	3,500,000

The loan is repayable in monthly instalments of \$100,000. The loan bears interest at 8% (2015 - 6.75%) per annum.

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

13 Progress payments received

Payments received in respect of capital projects were as follows:

	2016 \$	2015 \$
Balance - beginning of year	91,313	171,185
Additions	110,551	96,320
Taken to income	(81,632)	(57,087)
Transfer to deferred credit (note 15)	(64,271)	(119,105)
Balance - end of year	55,961	91,313

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

14 Deferred lease premium

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

\$

At March 31, 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>

Year ended March 31, 2016

Opening net balance	480,303
Amortisation (note 20)	<u>(30,000)</u>
Closing net balance	<u>450,303</u>

At March 31, 2016

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

15 Deferred credit

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

The cost of mains capitalised in connection with the Bridgetown Roads and Safety Improvement Project, which was funded by the Ministry of Public Works and Transport, the costs of extensions in connection with the Fort George Stage II project which was funded by 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 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 Sagikor 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.

	2016 \$	2015 \$
Balance - beginning of year	1,781,400	1,783,378
Amortisation (note 20)	(122,066)	(121,083)
Additions (note 13)	64,271	119,105
Balance - end of year	1,723,605	1,781,400

National Petroleum Corporation

Notes to Financial Statements

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(expressed in Barbados dollars)

16 Pension plan

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

The plan is integrated with the National Insurance Scheme (NIS) and will provide a member retiring after 33½% years of pensionable services with a pension of two thirds of their final three years average annual pensionable salary when combined with the NIS pension (for members employed prior to September 1, 1975, no deduction is made with respect to the NIS pension).

The triennial valuation of the plan was performed as of April 1, 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).

	2016 \$	2015 \$
Present value of funded obligations	15,580,735	15,366,617
Fair value of plan assets	(15,132,096)	(14,350,976)
Net liability at end of year	448,639	1,015,641

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

	2016 \$	2015 \$
Present value of funded obligations, beginning of year	15,366,617	15,384,132
Current service cost	302,610	309,605
Interest cost	1,152,095	1,168,902
Employee contributions	1,200	1,200
Benefits paid	(1,305,554)	(913,862)
<i>Remeasurements:</i>		
Experience losses/(gains)	63,767	(583,360)
Present value of funded obligations, end of year	15,580,735	15,366,617

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

16 Pension plan ...continued

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

	2016 \$	2015 \$
Fair value of plan assets - beginning of year	14,350,976	13,186,754
Employer contributions paid	1,495,583	1,495,583
Employee contributions	1,200	1,200
Benefits paid	(1,305,554)	(913,862)
Plan administration expenses	(9,900)	(10,100)
Remeasurements:		
Return on plan assets	599,791	591,401
Fair value of plan assets - end of year	15,132,096	14,350,976

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

	2016 \$	2015 \$
Net liability, beginning of year	1,015,641	2,197,378
Net pension expense included in the statement of comprehensive income (note 23)	344,994	444,045
Remeasurements included in the statement of other comprehensive income	583,587	(130,199)
Contributions paid	(1,495,583)	(1,495,583)
Net liability, end of year	448,639	1,015,641

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

	2016 \$	2015 \$
Current service cost	302,610	309,605
Net interest on the net defined benefit liability	32,484	124,340
Plan administration expenses	9,900	10,100
Total included in staff costs	344,994	444,045

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

16 Pension plan ...continued

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

	2016 \$	2015 \$
<i>Remeasurements:</i>		
Experience losses/(gains)	63,767	(583,360)
Return on plan assets excluding amounts included in interest expense	519,820	453,161
Total included in other comprehensive income	583,587	(130,199)

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	1.13	1.35	3.75	6.98	13.21

Principal actuarial assumptions used for accounting purposes were as follows:

	2016	2015
Discount rate at end of year	7.75%	7.75%
Future promotional salary increases	2.00%	2.00%
Future inflationary salary increases	3.75%	3.00% for one year and 3.75% thereafter
Future pension increases	0.75%	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, 2016

(expressed in Barbados dollars)

16 Pension plan ...continued

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption \$	Decrease in assumption \$
Discount rate	1%	14,108,420	17,367,078
Salary growth rate	0.5%	16,089,728	15,127,063
Life expectancy	1 year	16,256,335	

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

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

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

Changes in deposit administration policy yields

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

Life expectancy

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

Expected contributions for the year ending March 31, 2017 are \$1,495,583.

The weighted average duration of the defined plan is 10.46 years.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

17 Capital grants

\$

Year ended March 31, 2015

Opening net book amount	1,333,488
Amortisation (note 20)	<u>(59,338)</u>
Closing net book amount	<u>1,274,150</u>

At March 31, 2015

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

Year ended March 31, 2016

Opening net book amount	1,274,150
Additions	1,958,589
Amortisation (note 20)	<u>(69,100)</u>

Closing net book amount	<u>3,163,639</u>
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At March 31, 2016

Cost	3,492,469
Accumulated amortisation	<u>(328,830)</u>

Closing net book amount	<u>(3,163,639)</u>
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National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

18 Capital contributed by Government of Barbados

This is comprised of:

	2016 \$	2015 \$
Capitalised loans	950,000	950,000
Capitalised interest on loans	1,333,802	1,333,802
Capitalisation of land granted to the Corporation (note 7)	218,000	218,000
Additional capital contributed by Government of Barbados during 1982/83	20,000	20,000
Loan principal and interest paid by Government of Barbados net of consideration for shares issued in Barbados National Oil Company Limited to Government of Barbados	7,885,355	7,885,355
	10,407,157	10,407,157

19 Production, transmission and distribution costs

	2016 \$	2015 \$
Production	3,749,813	3,720,533
Transmission	313,925	8,174
Distribution	2,422,518	2,786,848
	6,486,256	6,515,555
Less:		
Reimbursements through jobbing	(25,827)	(59,337)
Installation and re-connection fees	(80,597)	(147,794)
In house services	12,141	54,162
	6,391,973	6,362,586

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

20 Other income

	2016 \$	2015 \$
Project income	81,632	57,087
Interest	13,755	14,962
Rental income	222,078	222,078
Miscellaneous income	210,702	69,648
	528,167	363,775
Amortisation of lease premium (note 14)	30,000	30,000
Amortisation of deferred credit (note 15)	122,066	121,083
Amortisation of capital grant (note 17)	69,100	59,338
	749,333	574,196

21 Taxation

	2016 \$	2015 \$
Deferred tax charge	—	2,433,981

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

	2016 \$	2015 \$
Loss before taxation	(1,497,954)	(1,677,009)
Tax calculated at 25% (2015 - 25%)	(374,489)	(419,252)
Tax effect of the following:		
Tax losses expiring not utilised	196,893	—
Expenses not deductible for tax purposes	671,460	74,538
Tax allowance claimed	(147,546)	(145,957)
Income not subject to tax	(21,948)	223,703
Prior year under provision of deferred tax	—	101,644
Reversal of prior year deferred tax asset	—	(2,433,981)
Movement in deferred tax asset not recognised	(324,370)	165,324
	—	(2,433,981)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

21 Taxation ...continued

There is a potential deferred tax asset which has not been recognised due to the uncertainty of the availability of future profits against which to offset it.

The deferred tax asset consists of the following components:

	2016 \$	2015 \$
Delayed tax depreciation	5,390,401	3,165,403
Unutilised tax losses (note 22)	3,678,684	6,050,576
Pension plan liability	448,639	1,015,642
	9,517,724	10,231,621
Deferred tax asset at corporation tax rate of 25% (2015 - 25%)	2,379,431	2,557,905

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

22 Tax losses

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

Year	Balance b/f \$	Utilised \$	Expired \$	Balance c/f \$	Expiry date
2007	2,371,892	(1,584,321)	(787,571)	—	
2008	1,915,347	—	—	1,915,347	2017
2009	1,410,704	—	—	1,410,704	2018
2015	352,633	—	—	352,633	2022
	6,050,576	(1,584,321)	(787,571)	3,678,684	

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

23 Staff costs

Staff costs comprise the following:

	2016 \$	2015 \$
Salaries, wages and National Insurance	5,594,513	4,817,919
Retro-active pay	416,187	2,932,396
Pension expense (note 16)	344,994	444,045
	6,355,694	8,194,360

The number of persons employed at year end was as follows

	112	110
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24 Expenses by nature

	2016 \$	2015 \$
Depreciation	2,251,603	2,236,857
Gas purchased (note 26)	3,749,813	3,720,533
Impairment of receivables	(111,415)	304,002
Insurance	429,195	423,139
Internal in-house services expense (net)	12,141	54,162
Land tax	81,025	57,875
Legal fees	2,400	15,275
Maintenance	961,056	652,524
Meter reading, accounting and collection	253,496	290,348
Pensions expense	344,994	444,045
Gratuities	12,495	12,496
Rent	1,603	2,475
Salaries, wages and National Insurance	5,594,513	4,817,919
Retro-active pay	416,187	2,932,396
Special services	408,352	200,417
Supplies	622,463	855,195
Security expenses	115,842	113,229
Other expenses	500,500	239,322
Travel and utilities	262,712	309,633
Uniforms and safety equipment	47,110	52,314
	15,956,085	17,734,156
Reimbursements through jobbing	(25,827)	(59,337)
Installation and re-connection fees	(80,597)	(147,794)
	15,849,661	17,527,025

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

25 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2016/17 of \$2,065,000 (2015/16 - \$1,983,000). None of this expenditure had been contracted for at that date.

26 Related party transactions

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

	2016 \$	2015 \$
Purchase of gas	<u>3,749,813</u>	3,720,533

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

	2016 \$	2015 \$
Salaries and directors' fees	<u>665,514</u>	640,645

No provision was required in 2016 or 2015 for the car loans made to key management.

National Petroleum Corporation

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(expressed in Barbados dollars)

27 Financial risk management

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

a) Market risk

i) Foreign exchange risk

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

ii) Cash flow and fair value interest rate risk

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

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

The Corporation's exposure to interest rates and the terms of borrowings are disclosed in notes 4 and 12.

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

	2016 \$	2015 \$
Fixed rate borrowings	2,000,614	2,556,487
Variable rate borrowings	3,500,000	4,700,000
	<u>5,500,614</u>	<u>7,256,487</u>

At year end, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net loss for the year would have been \$35,000 (2015 - \$47,000) lower or higher.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(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:

	2016		2015	
	\$	%	\$	%
Cash on hand and at bank	2,276,943	43	1,323,785	30
Accounts receivable	2,995,499	57	3,173,997	70
	5,272,442	100	4,497,782	100

National Petroleum Corporation

Notes to Financial Statements
March 31, 2016

(expressed in Barbados dollars)

27 Financial risk management ... continued

c) Liquidity risk

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

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

2016

Assets

Cash on hand and at bank
Accounts receivable

2,276,943	2,276,943	2,276,943	2,276,943	—	—	—
2,995,499	2,995,499	2,995,499	2,995,499	—	—	—
5,272,442	5,272,442	5,272,442	5,272,442	—	—	—

Liabilities

Accounts payable
Due to related company
Borrowings

2,639,220	2,639,220	2,639,220	2,639,220	—	—	—
10,247,045	10,247,045	10,247,045	10,247,045	—	—	—
5,500,614	6,151,109	6,151,109	2,140,560	3,775,696	234,853	—
18,386,879	19,037,374	15,026,825	15,026,825	3,775,696	234,853	—
(13,114,437)	(13,764,931)	(9,754,382)	(9,754,382)	(3,775,696)	(234,853)	—

Liquidity gap

National Petroleum Corporation
Notes to Financial Statements
March 31, 2016

(expressed in Barbados dollars)

27 Financial risk management ...continued

c) Liquidity risk ...continued

	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$
2015						
Assets						
Cash on hand and at bank	1,323,785	1,323,785	1,323,785	—	—	—
Accounts receivable	3,173,997	3,173,997	3,173,997	—	—	—
	4,497,782	4,497,782	4,497,782	—	—	—
Liabilities						
Accounts payable	2,561,345	2,561,345	2,561,345	—	—	—
Due to associated 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	—
	17,544,397	18,675,580	12,524,470	2,140,560	4,010,550	—
Liquidity gap	(13,046,615)	(14,177,798)	(8,026,688)	(2,140,560)	(4,010,550)	—

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

27 Financial risk management ...continued

d) Fair values

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

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

e) Capital risk management

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

28 Other events

On October 30, 2014, the Cabinet of the Government of Barbados agreed to the merger of BNOCL and National Petroleum Corporation. On January 28, 2015, the Board at its meeting approved the merger, which was expected to be undertaken on a phased basis with the first phase concentrating on the merger of the administrative and back office services.

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

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

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2016

(expressed in Barbados dollars)

29 Subsequent events

- i) At a Board of Directors' meeting on November 12, 2018 it was resolved to withdraw the dividend of \$53M declared on March 20, 2015 to be paid to stockholders on record upon the divestment of Barbados National Terminal Company Limited. The dividends receivable included in accounts receivable were reversed in the Corporation's financial statements for the year ending March 31, 2019.
- ii) Subsequent to the year end, the Government of Barbados amended the corporation tax rate from 25% to 30% which will take effect for income year 2018.

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

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

