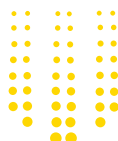


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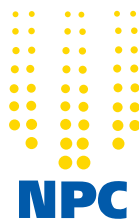
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Table of Contents



Letter of Transmittal.....	4
Mission & Values.....	5
Board of Directors	6
Committees of the Board of Directors	8
Principal Officers.....	9
Chairman’s Message.....	10
General Manager’s Report	11
Management Discussion and Analysis	14
INDEPENDENT AUDITOR’S REPORT	23

National Petroleum Corporation
Willey, St. Michael, BB 11000
P.O. Box 175, Bridgetown
Barbados, West Indies
Tel: (246) 430 4000. Fax: (246) 426 4326
Email: bimgas@caribsurf.com



Reference: 200 Vol 29
April 30th 2015

The Energy People.

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

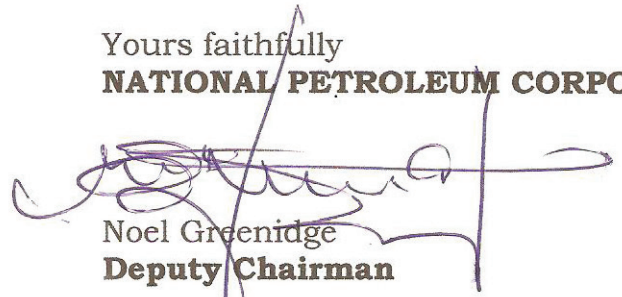
Dear Sir

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 first annual report and audited financial statements of the Corporation for the financial year ended March 31st 2013.

We note that the Auditors have forwarded to you on April 15th 2015 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
Deputy Chairman

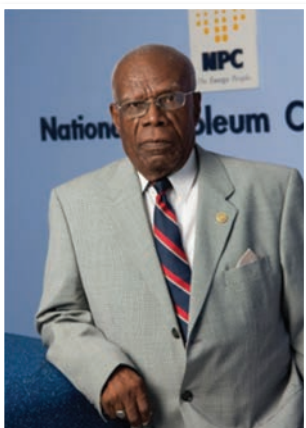
Letter signed by the Deputy Chairman due to the passing of Sir L V Harcourt Lewis, GCM, JP, DPA, FIBA on January 13th 2015

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
 CGM, JP, DPA, FIBA
 Chairman of the Board



Mr. Noel Greenidge
 Deputy Chairman



Mr. Mark Parris
 Director



Mr. Ken Linton
 Director



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



Mr. David Giles
 Director
 Representative
 Barbados Workers Union



Miss Juliet Downes
 Director



Mr. Algernon Atherley
 Director



Ms. Doreen Johnson
 Director

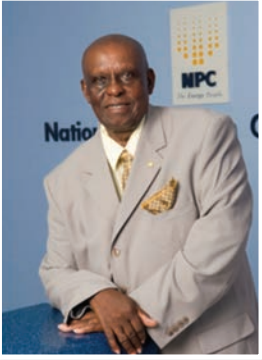
Board of Directors



Ms. Hazel Gittens
Director
Representative of Permanent
Secretary, Finance and
Economic Affairs



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



Mr. Hodson Carrington
Director



Ms. Laura Rudder
Corporate Secretary

LEGAL COUNSEL

Mr. Edmund King, Q.C.
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
Mr. Noel Greenidge
Mr. Mark Parris
Representative of Permanent Secretary, Finance and Economic Affairs
Representative of Division of Energy & Telecommunications

ESTABLISHMENTS COMMITTEE

Sir Harcourt Lewis - Chairman
Mr. Noel Greenidge
Miss Juliet Downes
Mr. Ken Linton
Representative Barbados Workers Union
Representative of Division of Energy & Telecommunications

TECHNICAL COMMITTEE

Sir Harcourt Lewis - Chairman
Mr. Ken Linton
Mr. Winton Gibbs
Representative of Division of Energy & Telecommunications

PRINCIPAL OFFICERS

Mr. James St. Elmo Wallace Browne
General Manager

Mr. Birchmore DeCoursey Scantlebury
Manager Finance

Mr. Roger Emmanuel Arthur Martindale
Manager Technical Operation

Ms. Mechelle Maria Smith
Manager Human Resources & Administration

Mrs. Andrea Burnett-Edward
Technical Officer

Mr. Wesley John Wayne Holder
Technical Officer/Service Installations Coordinator

SENIOR OFFICERS

TECHNICAL OPERATION

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

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

HUMAN RESOURCES & ADMINISTRATION

Basil Smart, Administrative Officer
Francine Forde, Human Resources Officer

EXECUTIVE OFFICE

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



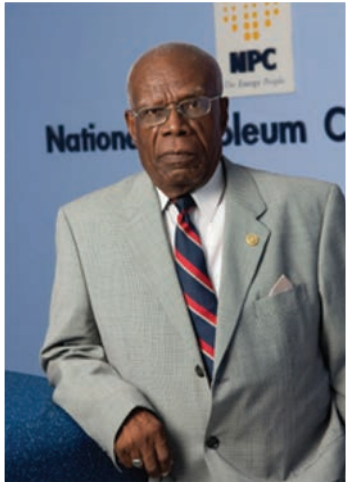
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Annual Report 2013

10

Chairman's Report



Sir Harcourt Lewis, CGM, JP, DPA, FIBA

Chairman of the Board

On behalf of the Board of Directors, I am pleased to report on this the thirty-first annual report of the National Petroleum Corporation.

Last year we celebrated our 30th Anniversary and it provided the opportunity for us to not only cogitate and relish in our achievements over the past three decades, but also to look to the years ahead maintaining our high standards of excellence in all areas of our operations.

The Corporation was able to attain another year of reported operational growth. This not only reflects the hard work of a dedicated team but it also exemplifies the result of important strategic choices made several years ago that put NPC in a better position to attain profitability.

Operationally, one of our key objectives during the year related to increasing the gas yield to 95% of purchases. To achieve this target, an initial maintenance and replacement plan for the overland pipeline was implemented with the assistance of a loan to the tune of \$3M funded by the National Insurance Scheme. The Corporation also capitalized on the works of the Greater Warrens Traffic Improvement Project to realign approximately seven thousand feet of this pipeline. In total, this

project facilitated the abandonment of over 25,000 feet of corroding infrastructure.

Cash flow still continues to be an area of concern for the entity and several streamlining costs management activities were undertaken during the year to assist with these efforts.

In the area of human relations and administration, with the enactment of the new Occupational Pensions Act, the Corporation commenced activities to have the pension plan registered in accordance with the requirements of the Act. A Board of Trustees was established in October 2012 and the plan is anticipated to be fully registered by the end of the next financial year.

Throughout this year and the years to come, we remain focused on attaining our short and long term objectives through reducing inefficiencies and strengthening efficiencies in all areas. I am therefore confident that we are strategically positioned to prosper, as well as create greater value for all our stakeholders in the years ahead.

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

General Manager's Report



Mr. James St. Elmo Wallace Browne

General Manager

Since the onset of the global financial crisis, the year 2012/2013 has seen the worsening of some of the national financial stability indicators. The Central Bank of Barbados has reported a less than favorable performance by Barbados' main revenue earning sectors, with Tourism inputs falling by an estimated 1.4% in the first quarter of 2013. Additionally they reported manufacturing as being "virtually flat" with no major improvements recorded in any of the key industries.

The prevailing business environs therefore continue to have a direct impact on NPC's growth potential as approximately 60% of our commercial activities are directly related to the tourism industry.

These conditions have contributed to NPC's limited cash flow and our ability to undertake mass expansion of our network, we therefore continued this year to optimize on opportunities to be more effective in our operations.

During the year under review, amongst its key objectives attained, were improvements in its procurement value chain for goods and services as well as in the optimization of the cost of our product, natural gas.

Procurement - Vendor Management

The objective of this endeavor was to reduce the cost of doing business throughout the full span of the procurement value chain. A review and streamlining of the Corporation's procurement process was undertaken to ensure not only cost effectiveness but also to ensure compliance with procurement policies and procedures. One of the key initiatives implemented was the annual consolidation of shipments which led to a noticeable decline in international freight costs and customs duties.

Optimization of input Costs

Network Integrity

Our Scada system was upgraded in 2012 to enhance the monitoring of the transmission network in real time. A transition was made to enable off site and real time monitoring via the mobile technology platform.

Overland Pipeline

The Corporation's transmission network included an overland pipeline which stretches over 30,000 linear feet. Over the past 40 years, the constant exposure to the corrosive elements within the atmosphere has resulted in excessive wear and tear of this section of our network and is believed to be a major contributor to our reduction in gas yield.



Staff working of Fire Hill Section of Overland Line

In March 2013, it was reported that the Corporation was losing significant monthly revenue mainly associated with leaks on the overland pipeline and inefficiencies in our metering system.

In an effort to increase revenues and the health and safety working conditions for staff, a decision was taken to decommission the overland steel pipeline mains. At the end of the year under review the Corporation

successfully removed 25,000 linear feet of overland pipeline.

Meter functionality Analysis & Replacement Programme

To complement the efforts at improving the Corporation's gas yield through efficiencies in pipeline transport, a meter functionality and replacement programme was initiated. This programme's aim was to reduce the revenue losses where natural gas goes unmetered as a result of a faulty or undersized meter. This programme included

- improving the custody transfer arrangement at the source
- Detailed load analysis of all commercial customers
- Meter size corrections for all commercial customers

To date the Corporation has been able to increase its net operating income for this financial year to \$1,652,360. It is anticipated that further improvements will be achieved over the coming years.

SUMMARY OF OPERATIONS FOR PERIOD 2003/04 TO 2012/13

Year	Miles of Main		No. of Services			Sale of Gas		** Income From All Sources	Corp. Tax (Credit)/Charge	Net Income (Deficit) for year
	In Use	Newly Laid	At Year End*	Connections During Year	Active At Year End	M3	\$ Value			
At 31 st Mar.										
2013	333.76	5.81	26,892	997	20,025	12,207,445	15,403,133	16,439,990	(268,887)	8,619,100
2012	327.95	4.54	25,895	638	19,331	11,600,534	14,688,985	15,467,766	(500)	13,502,557
2011	323.41	5.72	25,257	712	19,048	10,955,502	13,717,538	15,021,260	2,954,583	13,791,952
2010	317.69	1.49	24,545	667	18,713	12,001,105	14,423,600	15,117,565	-	1,724,585
2009	316.20	2.72	23,878	770	17,986	11,365,777	13,783,475	14,683,807	-	(2,922,203)
2008	313.48	5.09	23,108	883	17,617	11,916,109	13,978,064	15,201,146	-	(15,812,254)
2007	308.39	5.89	22,225	716	17,064	11,390,879	12,850,320	13,812,714	119,164	(572,666)
2006	302.50	3.63	21,509	809	16,676	11,693,879	12,361,223	13,624,868	11,133	(2,276,098)
2005	298.87	3.60	20,700	1,232	15,851	10,852,153	10,921,578	11,819,606	(27,278)	(4,278,125)
2004	295.27	25.56	19,468	1,280	14,552	8,180,870	9,609,180	10,510,741	191,231	(1,620,381)

* Services disconnected are not accounted for

** Gross of discounts and allowances

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

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.

FINANCIAL PERFORMANCE OVERVIEW

Net Income

During the financial year ending March 2013 the Corporation continued on its upward trend, recording another year of profitability. The audited financial statements show a operating profit of \$1,652,360 when compared with an operating profit of \$325,001 in the previous year ending March 2012.

This year's share in profit of the Barbados National Oil Company decreased by 45.09% from \$13,178,056 in 2012 to \$7,235,627 which resulted in a total Net and Comprehensive Income for the current year of \$8,619,100. This represented a decrease of 36.17% when compared with the previous year.

Revenue Stream

Net Revenue from gas sales rose by 5.71% from \$14,989,872 in 2012 to \$15,845,293 in 2013. This was realised through growth in commercial sales during the period under review. Sales to customers in the commercial category represented 67% of the net revenue.

Residential Sales

Total sales volume to residential customers increased marginally by 1.59% from 2,565,001 standard cubic metres in the previous year to 2,605,825 in the current year. At the end of the financial year the total number of active customers in this category stood at 19,287 an increase of 667 active customers when compared with the previous year.

Commercial Sales

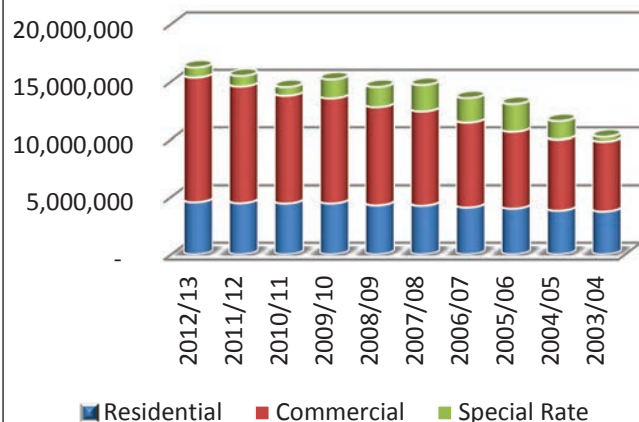
Commercial sales volume increased by 608,484 standard cubic metres from 8,359,382 standard cubic metres to 8,697,866 standard cubic metres or 7.28%. At the end of the financial year the number of active commercial customers stood at 736 with an average annual usage of 12,185 cubic metres.

Special Rate Sales

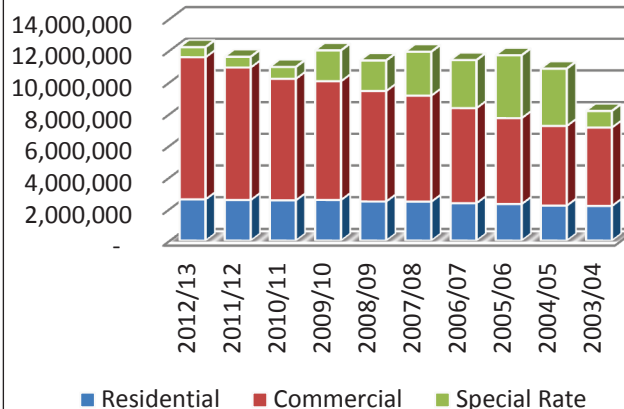
For the year ending 2013, no sales were made to our special rate customer, Barbados Light and Power, as they have temporarily ceased the intake of natural gas due to operational issues. However sales to the Queen Elizabeth Hospital continued on its downward trend totalled 633,754 standard cubic meters from 676,151 standard cubic meters, a decrease of 42,397 standard cubic meters or 6.27%.

Analysis of Gas Sales

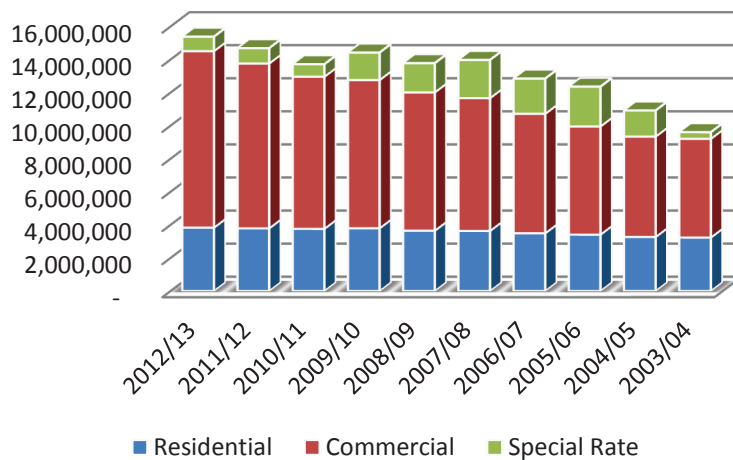
Gross Revenue from gas Sales (\$)
2003/04 to 2012/13



Gas Sales in Cubic Meters (M3)
2003/04 to 2012/13



Value of gas Sold (\$)
2003/04 to 2012/13



No. of Active Customers (Mar-31)										
	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
Residential	19287	18620	18326	18011	17308	16935	16425	16019	15233	13980
Commercial	736	709	719	700	675	678	635	654	616	570
Special Rate	2	2	3	2	3	4	4	3	2	2
Total	20025	19331	19048	18713	17986	17617	17064	16676	15851	14552

Expenses

Operating expenses for the year ending March 2013 totalled \$14,305,942, a decrease of \$328,709 over last year's total operating expenses. General, administrative and commercial expenses accounted for 52.97% of the total Operating Expenses.

Capital expenditure for the year totalled \$3,107,429 under the following heads:

Capital Expenditure	\$
Land and Buildings	36,984
Gas Wells, Pipelines, Production and Transmission	45,693
Distribution Plant and Equipment Equipment	2,877,042
Moveable Equipment and Furniture	147,710

OPERATIONS OVERVIEW

Gas Supply & Reserves

Purchase of natural gas from the Barbados National Oil Company Limited (BNOCL) was 14,208,649 standard cubic metres. The Corporation's Well #19 produced one thousand and eighteen standard cubic meters.

According to information supplied by the BNOCL, the gas reserves as at March 31 2013 were estimated to be or 5.195 million standard cubic metres.

Mains Installation

During the year under review, 5.81 miles of new mains were laid. The Corporation continued its maintenance programme which included the replacement of the overland pipeline. A total of 2.03 miles or 3.27km of mains were replaced during the year. See Appendix 1 for the summary of mains laid for the financial year ending March 31 2013.

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

Importation of Gas Project

The Importation of Natural Gas Project continues to be high on the agenda for the Corporation given the need to increase natural gas volumes to complement natural gas from the country's proven hydrocarbon reserves. NPC, along with other stakeholders within the Division of Energy and Telecommunications and private sector are continuing to negotiate the final arrangements to make this project a reality.

HUMAN RESOURCES OVERVIEW

During the year under review, the Human Resources and Administration department (HR&A) recognized the need to take a different approach to its business model, which was occasioned in part by the introduction of the Safety and Health at Work Act 2005, in January 2013.

The aim was to ensure compliance with the safety and health legislation and to engender a culture of safety and health amongst all employees. This was facilitated through the provision of seminars for staff via the labour

department and the formation of a committee in line with the Act.

Staffing & Recruitment

The Corporation announced the appointment by promotion of Mrs Andrea Burnett-Edward Trainee Petroleum Engineer to the post of Technical officer and Mr Jamal Squires, Petroleum Engineer(Temp) to the post of Trainee Petroleum Engineer with effect from November 1, 2012.

The staff complement as at March 31, 2013 was 121 as compared with 120 as at March 31, 2012.

Compensation & Benefits

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

During the period under review an additional four members retired and the balance of the plan at the end of the year totaled \$15,179,881.

Training & Development

The department undertook a different approach to the area of Training and Development. In this key area, employees who undertook training became exposed to a more regimented training system which included measurable objectives, a personal development plan and psychometric testing. During the financial year ending March 2013, training was facilitated in the following key areas including leadership, Gas Fitting, Fire Safety and Customer Service.

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

Retirements

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



Oswald Daniel
Fitter
30 Years



Anderson Campbell
General Worker
30 Years



Whitstanley Smith
Superintendent
41 Years



Edwin Atherley
General Worker
22 Years



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Lerone Knight

Christmas Luncheon & Awards Ceremony

Our annual staff party and long service awards took place on Friday, December 14, 2012 at the Almond Bay, Hastings, Christ Church. A total of 38 staff members were honoured for their sterling contribution to the Corporation in the categories of long service, employee of the year and perfect attendance.

Employee of the Year

The employee of the year was awarded to Mr Lerone Knight, Draughtsman who outshone the other finalist in the category; Mr Walton Burrowes, Draughting Assistant and Francina Springer, Clerk Typist.

KPI Award

The KPI Award is used by the Corporation to set tangible measurements to gauge performance improvements in specific categories of key business outputs. This year the coveted award was presented to the Stores Division of the Finance and Accounting Department.



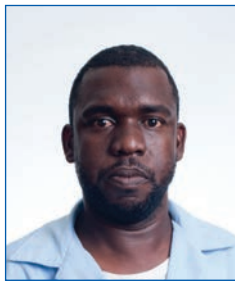
KPI Awardees



■ 10 Years	■ 30 Years
■ 15 Years	■ 35 Years
■ 25 Years	



■ Margaret Vaughan



■ Anderson Greene



■ Glen Wiggins



■ Henderson Lewis



■ Ian Bradshaw



■ Lerone Knight



■ Mark Quintyne



■ Martin Murray



■ Roger Holder



■ Reginald Cato



■ Roosevelt Broome



■ Ryan Harper



■ Stephen Weekes



■ Walton Burrowes



■ Wayne Bascombe



■ Wayne Browne



■ Dave Downes



■ Edward Wiggins



■ Grace Haynes



■ Anderson Campbell



■ Cheryl Mason



■ Emmerson Scott



■ Lyman Williams



■ Oswald Daniel



■ Riven Small



■ Simon Nurse



■ Trevor Murray



■ Jeffrey Jordan

Appendix I

Summary of Mains Laid April 1 2012 to March 31 2013

NEW MAINS	SIZE OF MAIN / DISTANCE						
	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.	3" H.P. Steel	4" H.P. Steel
St. Michael							
Cutting Road - 2nd Ave		16'-6"		1102'-3"			
Danesbury	584'-6"						
Garden Land	1655'-9"	468'-10"					
Haggatt Hall - 2nd Ave	292'-5"						
Pine Road - ABC H'way		38'-2"	10'-0"	873'-0"			23'-6"
President Kennedy Drive	480'-1"						
Small Land	2202'-7"						
Tudor Street	201'-2"						
Jackson Roundabout			103'-7"				
University Hill - Gap off		434'-6"					
Valerie	789'-0"						
St. James							
Queens Fort - Old	22'-0"						
Risk Road	987'-4"						
St. Thomas							
Warrens		312'-0"		440'-0"	444'-10"		
Welches	1481'-11"			1980'-0"	1960'-0"		
Welches/ Padmore		317'-0"	433'-0"				
Christ Church							
Adams Castle, Vauxhall	48'-6"	1015'-0"	960'-0"				
Bartlett Tenantry Road	68'-3"						
Coverley		894'-8"					
Fairholme Gardens		358'-6"					
Greenland	517'-0"	898'-0"					
Gall Hill - Water Street				1304'-8"			31'-5"

NEW MAINS	SIZE OF MAIN / DISTANCE						
	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.	3" H.P. Steel	4" H.P. Steel
Christ Church (continued)							
Mahogany Court	981'-0"						
Moravian Garden		1726'-0"					
Rockley Meadows	48'-0"						
St. Philip							
Crane				1079'-0"			
Garrett Road	1261'-6"	1025'-1"					
Kirton #3		562'-0"					
RELOCATION or REPLACEMENT	SIZE OF MAIN / DISTANCE						
	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.	3" H.P. Steel	4" H.P. Steel
St. Michael							
Garden Land	55'-0"	5'-0"					
Jackson Roundabout		341'-4"					
Upton - Fort George	5'-0"						
St. James							
Apes Hill -Walcott Road	31'-0"	212'-5"	646'-0"				
Endeavour		29'-0"					
Lancaster		220'-0"					
Orange Hill/Apes Hill		24'-5"	3076'-0"	9'-0"			
St. Thomas							
Blowers						21'-0"	
Welches/ Padmore						14'-0"	
St. Andrew							
Apes Hill			1687'-0"	4554'-0"		39'-0"	
Summary of Mains Laid					Miles	Kilometers	Linear Feet
New Mains					5.81	9.35	30675'-11"
Relocation/Replacement					2.03	3.27	10725'-9"
Total Mains Laid						12.62	41401'-8"

Appendix II Distribution of Income for Period 2003/04 To 2012/13

Year	* Income from all sources		Operating Expenses						Corporation Tax (Credit)/Charge		Net Income (Deficit) Before Share Profit (Loss) Associated Co. (BNOCL)		Share Profit (Loss) Associated Co. (BNOCL)	Net Income (Deficit) For Year
	\$	%	Administration and Commercial	Purchase of Gas	Depreciation	Interest Charges	\$	%	\$	%	\$	%		
2013	16,439,990	100	8,449,736	3,763,283	2,092,923	481,688	268,887	1.64	1,652,360	10.05	7,630,782	9,014,255		
2012	15,467,766	100	8,863,114	3,699,675	2,071,862	508,114	500	0.00	325,001	2.10	13,178,056	13,503,557		
2011	15,021,260	100	8,915,103	3,604,777	2,096,013	609,100	(2,954,583)	(19.67)	(203,733)	(1.13)	11,041,102	13,791,952		
2010	15,117,565	100	9,007,523	1,479,252	2,164,693	741,512	0	0.00	1,724,585	11.41	0	1,724,585		
2009	14,683,807	100	7,994,446	6,572,809	2,079,465	959,290	0	0.00	(2,922,203)	(19.90)	0	(2,922,203)		
2008	15,201,146	100	6,971,535	5,174,760	2,207,017	1,189,878	0	0.00	(342,044)	(2.25)	(15,470,210)	(15,812,254)		
2007	13,812,714	100	7,319,844	3,786,788	2,103,773	1,508,245	119,164	0.86	(1,025,100)	(7.42)	452,434	(572,666)		
2006	13,624,868	100	6,740,587	3,938,388	2,048,198	1,328,482	11,133	0.08	(441,920)	(3.24)	(1,834,178)	(2,276,098)		
2005	11,819,606	100	7,324,686	2,693,905	1,935,552	1,011,236	(27,278)	(0.23)	(1,118,495)	(9.46)	(3,159,630)	(4,278,125)		
2004	10,510,741	100	7,598,492	2,146,365	1,739,523	900,681	191,231	1.82	(2,065,551)	(19.65)	445,170	(1,620,381)		

* Gross of discounts and allowances

NATIONAL PETROLEUM CORPORATION

Financial Statements

March 31, 2013

(Expressed in Barbados Dollars)



NPC

NATIONAL
PETROLEUM
CORPORATION

Annual Report 2013

24



INDEPENDENT AUDITOR'S REPORT

To the Government of Barbados

We have audited the accompanying financial statements of **National Petroleum Corporation**, which comprise the balance sheet as of March 31, 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **National Petroleum Corporation** as of March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

February 25, 2015
Bridgetown, Barbados

National Petroleum Corporation

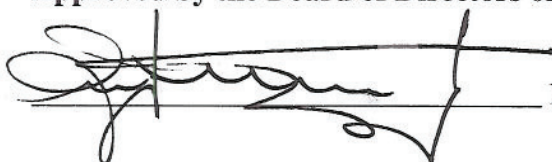
Balance Sheet

As of March 31, 2013

(expressed in Barbados dollars)

	2013 \$	2012 \$
Assets		
Current assets		
Cash on hand and at bank	1,631,968	586,886
Short term deposit (note 4)	576,580	560,530
Accounts receivable (note 5)	2,323,304	2,203,591
Corporation tax recoverable	13,458	13,458
Inventories (note 6)	1,330,470	1,177,816
Prepaid expenses	51,880	44,806
	<u>5,927,660</u>	<u>4,587,087</u>
Property, plant and equipment (note 7)	34,843,780	33,829,274
Investment in associated company (note 8)	27,398,494	20,162,867
Deferred tax asset (note 9)	2,685,196	2,954,083
Deferred expenses (note 10)	52,500	61,500
	<u>70,907,630</u>	<u>61,594,811</u>
Total assets		
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	4,566,713	4,262,708
Due to associated company (note 12)	6,859,511	6,374,549
Current portion of borrowings (note 13)	1,286,480	1,200,000
Progress payments received (note 14)	86,196	78,458
	<u>12,798,900</u>	<u>11,915,715</u>
Borrowings (note 13)	7,813,520	7,100,000
Deferred lease premium (note 15)	540,303	570,303
Deferred credit (note 16)	1,812,611	1,896,479
Pension plan liability (note 17)	3,114,795	3,903,913
Capital grants (note 18)	1,533,880	1,533,880
	<u>27,614,009</u>	<u>26,920,290</u>
Total liabilities		
Equity		
Capital contributed by Government of Barbados (note 19)	10,407,157	10,407,157
Retained earnings	32,886,464	24,267,364
	<u>43,293,621</u>	<u>34,674,521</u>
Total liabilities and equity	<u>70,907,630</u>	<u>61,594,811</u>

Approved by the Board of Directors on December 18, 2014

 Director

 Director

National Petroleum Corporation
 Statement of Changes in Equity
 For the year ended March 31, 2013

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Retained earnings \$	Total \$
Balance at March 31, 2011	10,407,157	10,764,807	21,171,964
Net income and total comprehensive income for the year	–	13,502,557	13,502,557
Balance at March 31, 2012	10,407,157	24,267,364	34,674,521
Net income and total comprehensive income for the year	–	8,619,100	8,619,100
Balance at March 31, 2013	10,407,157	32,886,464	43,293,621

National Petroleum Corporation

Statement of Comprehensive Income

For the year ended March 31, 2013

(expressed in Barbados dollars)

	2013 \$	2012 \$
Sales		
Natural gas	<u>15,845,293</u>	14,989,872
Operating expenses		
Production, transmission and distribution (note 20)	4,635,797	5,409,944
General, administrative and commercial	7,577,222	7,152,846
Depreciation (note 7)	<u>2,092,923</u>	2,071,861
	<u>14,305,942</u>	14,634,651
	1,539,351	355,221
Other income (note 21)	<u>594,697</u>	477,894
Operating profit	2,134,048	833,115
Interest and other loan expenses	<u>(481,688)</u>	(508,114)
Net income for the year before share of associated company	1,652,360	325,001
Share of profit of associated company (note 8)	<u>7,235,627</u>	13,178,056
Income before taxation	8,887,987	13,503,057
Taxation (note 9)	<u>(268,887)</u>	(500)
Net income and total comprehensive income for the year	<u>8,619,100</u>	13,502,557

National Petroleum Corporation

Statement of Cash Flows

March 31, 2013

(expressed in Barbados dollars)

	2013	2012
	\$	\$
Cash flows from operating activities		
Income before taxation	8,887,987	13,503,057
Adjustments for:		
Depreciation	2,092,923	2,071,861
Amortisation of deferred expenses	9,000	9,000
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of deferred credit	(115,979)	(114,811)
Interest and other loan expenses	481,688	508,114
Interest income	(17,343)	(20,817)
Pension expense	608,435	747,000
Project income	(62,420)	(76,213)
Share of income of associated company	(7,235,627)	(13,178,056)
Operating profit before working capital changes	4,618,664	3,419,135
Increase in short term deposit	(16,050)	(36)
Increase in accounts receivable	(119,713)	(23,832)
(Increase)/decrease in inventories	(152,654)	526,270
(Increase)/decrease in prepaid expenses	(7,074)	53,706
Increase in accounts payable and accrued liabilities	304,005	808,757
Increase in amount due to associated company	484,962	689,973
Cash generated from operations	5,112,140	5,473,973
Interest and other loan expenses paid	(481,688)	(508,114)
Pension contributions paid	(1,397,553)	(1,333,615)
Progress payments received	102,269	135,497
Net cash from operating activities	3,335,168	3,767,741
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,107,429)	(2,262,133)
Interest income received	17,343	20,817
Net cash used in investing activities	(3,090,086)	(2,241,316)
Cash flows used in financing activities		
Proceeds from borrowings	2,000,000	–
Repayments of borrowings	(1,200,000)	(1,487,484)
Net cash from/(used in) financing activities	800,000	(1,487,484)
Increase in cash and cash equivalents	1,045,082	38,941
Cash and cash equivalents - beginning of year	586,886	547,945
Cash and cash equivalents - end of year	1,631,968	586,886

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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 and amended standards adopted by the Corporation

The Corporation did not adopt any new or amended standards for the financial year.

ii) New standards, amendments and interpretations mandatory for the first time for the financial year beginning January 1, 2012 but not currently relevant to the Corporation

IAS 1 (amendment)	'Financial statement presentation' regarding other comprehensive income (effective July 1, 2012)
IAS 12 (amendment)	'Income taxes' on deferred tax (effective January 1, 2012)
IAS 19 (amendment)	'Employee benefits' (effective January 1, 2013)
IFRS 7 (amendment)	'Financial instruments: Disclosures' on derecognition (effective July 1, 2011)
IFRS 13	'Fair value measurement' (effective January 1, 2013)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

a) Basis of preparation ...continued

iii) *New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012 and not early adopted*

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

IAS 1	'Presentation of Financial statements' regarding the clarification of the requirements for comparative information (effective January 1, 2013)
IAS 32	'Financial Instruments: Presentation' (effective January 1, 2014)
IFRS 7	'Financial instruments: Disclosures' - Offsetting Financial Assets and Liabilities (effective January 1, 2013)
IFRS 9	'Financial instruments: Classification of Measurement of Financial Assets' (effective January 1, 2015)
IFRS 9	'Financial instruments: Classification of Measurement of Financial Liabilities and Derecognition' (effective January 1, 2015)

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, 2013

(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, 2013

(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.

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, 2013

(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).

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

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.

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.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

3 Critical accounting estimates and judgements

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

4 Short term deposit

The interest rate on the short term deposit at year end was 2.95% (2012 - 2.95%)

The original maturity of the deposit is 365 days.

5 Accounts receivable

	2013 \$	2012 \$
Trade receivables:		
Customers	2,249,604	2,066,008
Servicing	603,351	760,338
	<u>2,852,955</u>	<u>2,826,346</u>
Less: Provision for impairment of receivables	(911,738)	(885,459)
Trade receivables - net	1,941,217	1,940,887
Other receivables	382,087	262,704
	<u>2,323,304</u>	<u>2,203,591</u>

As at year end, trade receivables of \$1,003,647 (2012 - \$1,820,692) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$937,570 (2012 - \$625,081) 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:

	2013 \$	2012 \$
30 to 60 days	932,035	501,810
Over 90 days	5,535	123,271
	<u>937,570</u>	<u>625,081</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

5 Accounts receivable ...continued

As at year end, trade receivables of \$911,738 (2012 - \$885,459) were impaired and provided for. The aging of these trade receivables is as follows:

	2013 \$	2012 \$
Over 90 days	911,738	885,459

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

	2013 \$	2012 \$
Balance - beginning of year	885,459	2,460,296
Impairment charge	26,279	9,104
Reversal of provision no longer required	-	(1,583,941)
Balance - end of year	911,738	885,459

Direct write offs to the statement of comprehensive income in respect of impaired receivables were \$88,965 (2012 - bad debt recoveries of \$36,355).

No provision for impairment was required in respect of other receivables.

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

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

6 Inventories

	2013 \$	2012 \$
Materials and supplies	1,313,860	1,232,171
Provision for obsolescence	(137,585)	(137,585)
Gas	1,176,275	1,094,586
Goods in transit	9,469	9,469
	144,726	73,761
	1,330,470	1,177,816

No provision for obsolescence (2012 - reversal of provision of \$92,614) was recorded during the year.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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 \$
At March 31, 2011					
Cost or valuation	5,381,294	8,233,059	65,651,666	6,113,984	85,380,003
Accumulated depreciation	(4,362,857)	(7,791,616)	(34,170,627)	(5,415,901)	(51,741,001)
Net book amount	1,018,437	441,443	31,481,039	698,083	33,639,002
Year ended March 31, 2012					
Opening net book amount	1,018,437	441,443	31,481,039	698,083	33,639,002
Additions	81,895	227,622	1,699,732	252,884	2,262,133
Depreciation charge	(179,599)	(38,124)	(1,645,187)	(208,951)	(2,071,861)
Closing net book amount	920,733	630,941	31,535,584	742,016	33,829,274
At March 31, 2012					
Cost or valuation	5,463,189	8,460,681	67,351,398	6,366,868	87,642,136
Accumulated depreciation	(4,542,456)	(7,829,740)	(35,815,814)	(5,624,852)	(53,812,862)
Net book amount	920,733	630,941	31,535,584	742,016	33,829,274
Year ended March 31, 2013					
Opening net book amount	920,733	630,941	31,535,584	742,016	33,829,274
Additions	36,984	45,693	2,877,042	147,710	3,107,429
Disposals	–	–	(14,931)	–	(14,931)
Depreciation on disposals	–	–	14,931	–	14,931
Depreciation charge	(181,586)	(39,301)	(1,700,075)	(171,961)	(2,092,923)
Closing net book amount	776,131	637,333	32,712,551	717,765	34,843,780
At March 31, 2013					
Cost or valuation	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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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).

	2013 \$	2012 \$
Balance - beginning of year	20,162,867	11,041,102
Share of profit for the year	7,235,627	13,178,056
Dividend income	—	(4,056,291)
	<hr/>	<hr/>
Balance - end of year	27,398,494	20,162,867

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

	Assets \$	Liabilities \$	Revenue \$	Net profit \$
2013	105,577,018	78,178,524	194,805,136	7,235,627
2012	115,651,119	95,488,252	200,451,993	13,178,056

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

9 Deferred tax asset

	2013 \$	2012 \$
Balance - beginning of year	2,954,083	2,954,583
Deferred tax charge (note 22)	<u>(268,887)</u>	<u>(500)</u>
Balance - end of year	<u>2,685,196</u>	<u>2,954,083</u>

The deferred tax asset consists of the following components:

	2013 \$	2012 \$
Accelerated tax depreciation	(666,523)	(2,558,420)
Unutilised tax losses (note 23)	8,292,513	10,470,840
Pension plan liability	<u>3,114,795</u>	<u>3,903,913</u>
	<u>10,740,785</u>	<u>11,816,333</u>
Deferred tax asset at corporation tax rate of 25% (2012 - 25%)	<u>2,685,196</u>	<u>2,954,083</u>

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, 2013

(expressed in Barbados dollars)

10 Deferred expenses

	\$
At March 31, 2011	
Cost	108,000
Accumulated amortisation	<u>(37,500)</u>
Net book amount	<u>70,500</u>
Year ended March 31, 2012	
Opening net balance	70,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>61,500</u>
At March 31, 2012	
Cost	108,000
Accumulated amortisation	<u>(46,500)</u>
Net book amount	<u>61,500</u>
Year ended March 31, 2013	
Opening net balance	61,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>52,500</u>
At March 31, 2013	
Cost	108,000
Accumulated amortisation	<u>(55,500)</u>
Net book amount	<u>52,500</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, 2013

(expressed in Barbados dollars)

11 Accounts payable and accrued liabilities

	2013 \$	2012 \$
Customer deposits	1,651,100	1,531,570
Trade payables	736,725	764,906
Payroll deductions	120,074	1,408
Accrued expenses	2,058,814	1,964,824
	<u>4,566,713</u>	<u>4,262,708</u>

12 Due to associated company

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

13 Borrowings

	2013 \$	2012 \$
i) National Insurance Scheme \$3M loan	2,000,000	—
ii) Bank of Nova Scotia \$14.4M loan	7,100,000	8,300,000
	<u>9,100,000</u>	<u>8,300,000</u>
Current portion	(1,286,480)	(1,200,000)
	<u>7,813,520</u>	<u>7,100,000</u>

	2013 \$	2012 \$
i) National Insurance Scheme \$3M loan - total balance	2,000,000	—
Less instalments due within twelve months and shown under current liabilities	(86,480)	—
	<u>1,913,520</u>	<u>—</u>

The loan is repayable in quarterly instalments of blended principal and interest of \$117,427. The loan bears interest at 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, 2013

(expressed in Barbados dollars)

13 Borrowings ...continued

	2013 \$	2012 \$
ii) Bank of Nova Scotia \$14.4M loan - total balance	7,100,000	8,300,000
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>5,900,000</u>	<u>7,100,000</u>

The loan is repayable in monthly instalments of \$100,000. The loan bears interest at 6% (2012 - 5.5%) per annum.

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

14 Progress payments received

	2013 \$	2012 \$
Balance - beginning of year	78,458	86,827
Additions	102,269	135,497
Taken to income	(62,420)	(76,213)
Transfer to deferred credit (note 15)	<u>(32,111)</u>	<u>(67,653)</u>
Balance - end of year	<u>86,196</u>	<u>78,458</u>

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

During the year ended March 31, 2013, the following amounts were received in respect of work to be done.

	\$
Adams Castle	8,075
Valarie Apartments	8,183
The Villages at Coverley	38,611
Garden Land	<u>47,400</u>
	<u>102,269</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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, 2011

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(900,000)</u>
Net book amount	<u>600,303</u>

Year ended March 31, 2012

Opening net balance	600,303
Amortisation (note 20)	<u>(30,000)</u>
Closing net balance	<u>570,303</u>

At March 31, 2012

Deferred lease premium	1,500,303
Accumulated amortisation	<u>(930,000)</u>
Net book amount	<u>570,303</u>

Year ended March 31, 2013

Opening net balance	570,303
Amortisation (note 20)	<u>(30,000)</u>
Closing net balance	<u>540,303</u>

At March 31, 2013

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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 and are being amortised over the same period as the capital costs to which they relate.

	2013	2012
	\$	\$
Balance - beginning of year	1,896,479	1,943,637
Amortisation (note 21)	(115,979)	(114,811)
Additions (note 14)	32,111	67,653
	<hr/>	<hr/>
Balance - end of year	1,812,611	1,896,479

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, 2009. The actuary recommended a funding rate of 27.10% of the salaries and wages of those under the plan (8.87% to cover current service costs and 18.23% to cover the pension deficit).

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

17 Pension plan ...continued

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

	2013 \$	2012 \$
Present value of funded obligations	15,179,881	14,227,946
Fair value of plan assets	<u>(12,122,684)</u>	<u>(10,822,386)</u>
	3,057,197	3,405,560
Unrecognised actuarial gains	<u>57,598</u>	<u>498,353</u>
Pension plan liability	<u><u>3,114,795</u></u>	<u><u>3,903,913</u></u>

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

	2013 \$	2012 \$
Balance - beginning of year	14,227,946	14,278,553
Current service at cost	340,498	348,079
Past service at cost	5,795	-
Interest cost	1,083,790	1,076,866
Benefits paid	(827,626)	(1,013,872)
Actuarial losses/(gains) on obligation	<u>349,478</u>	<u>(461,680)</u>
Balance - end of year	<u><u>15,179,881</u></u>	<u><u>14,227,946</u></u>

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

	2013 \$	2012 \$
Balance - beginning of year	10,822,386	9,868,066
Expected return on plan assets	721,978	651,816
Actuarial (gains)/losses on plan assets	8,392	(17,239)
Contributions paid	1,397,553	1,333,615
Benefits paid	<u>(827,625)</u>	<u>(1,013,872)</u>
Balance - end of year	<u><u>12,122,684</u></u>	<u><u>10,822,386</u></u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

17 Pension plan ...continued

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

	2013 \$	2012 \$
Current service cost	340,498	348,079
Interest cost	1,083,790	1,076,866
Expected return on plan assets	(721,978)	(651,816)
Net actuarial gain recognised in the year	(99,670)	(26,129)
Past service cost	5,795	-
	<u>608,435</u>	<u>747,000</u>
Actual return on plan assets	<u>730,372</u>	<u>634,577</u>

The movement in the pension plan liability is as follows:

	2013 \$	2012 \$
Balance - beginning of year	3,903,913	4,490,528
Pension expense for the year (note 24)	608,435	747,000
Contributions paid	(1,397,553)	(1,333,615)
Pension plan liability	<u>3,114,795</u>	<u>3,903,913</u>

Principal actuarial assumptions used for accounting purposes were:

	2013	2012
Discount rate	7.75%	7.75%
Expected return on plan assets during the year	6.5%	6.5%
Future salary increases	5%	5%
Future pension increases	0%	0%
Proportion of employees opting for early retirement	10%	10%
Future changes in National Insurance ceiling	3.5%	3.5%
Mortality	UP 94	GAM 94

Expected contributions for the year ending March 31, 2014 are \$1,495,583.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

17 Pension plan ...continued

	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$
Present value of funded obligations	15,179,881	14,227,946	14,278,553	14,811,987	13,619,214
Fair value of plan assets	(12,122,684)	(10,822,386)	(9,868,066)	(8,742,807)	(7,878,280)
	3,057,197	3,405,560	4,410,487	6,069,180	5,740,934
Unrecognised actuarial gains/(losses)	57,598	498,353	80,041	(1,385,840)	(1,225,928)
Surplus	3,114,795	3,903,913	4,490,528	4,683,340	4,515,006
Experience adjustments on plan liabilities	(349,478)	411,072	1,049,359	5,783	(405,120)
Experience adjustments on plan assets	8,392	(17,239)	(117,247)	(2,341)	(50,800)

18 Capital grants

During 2011, the Corporation received \$1,533,880 from the Government of Barbados to execute capital works.

The grant will be amortised over the expected useful life of the related assets.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

19 Capital contributed by Government of Barbados

This is comprised of:

	2013 \$	2012 \$
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
	<u>10,407,157</u>	<u>10,407,157</u>

20 Production, transmission and distribution costs

	2013 \$	2012 \$
Production	3,763,471	3,699,863
Transmission	10,242	18,805
Distribution	899,393	2,103,295
	<u>4,673,106</u>	<u>5,821,963</u>
Less:		
Reimbursements through jobbing	(60,085)	(90,376)
Installation and re-connection fees	(64,211)	(257,074)
In house services	86,987	(64,569)
	<u>4,635,797</u>	<u>5,409,944</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

21 Other income

	2013 \$	2012 \$
Project income	62,420	76,213
Interest	17,343	20,817
Rental income	222,078	216,193
Miscellaneous income	146,877	19,860
	<u>448,718</u>	333,083
Amortisation of lease premium (note 15)	30,000	30,000
Amortisation of deferred credit (note 16)	115,979	114,811
	<u>594,697</u>	477,894

22 Taxation

	2013 \$	2012 \$
Deferred tax charge (note 9)	<u>268,887</u>	500

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

	2013 \$	2012 \$
Income before taxation	<u>8,887,987</u>	13,503,057
Tax calculated at 25% (2012 - 25%)	2,221,997	3,375,764
Tax effect of the following:		
Expenses not deductible for tax purposes	50,257	49,760
Commercial building allowance claimed	(40,938)	(40,938)
Investment allowance claimed	(153,522)	(89,573)
Tax effect of share of income of associated company	(1,808,907)	(3,294,513)
	<u>268,887</u>	500

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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 \$	Utilised \$	Balance c/f \$	Expiry date
2005	491,075	800	(491,875)	–	
2006	2,585,230	–	(1,687,252)	897,978	2015
2007	1,696,592	–	–	1,696,592	2016
2008	2,371,892	–	–	2,371,892	2017
2009	1,915,347	–	–	1,915,347	2018
2010	1,410,704	–	–	1,410,704	2019
	<u>10,470,840</u>	<u>800</u>	<u>(2,179,127)</u>	<u>8,292,513</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 Commissioner of Inland Revenue.

24 Staff costs

Staff costs comprise the following:

	2013 \$	2012 \$
Salaries, wages and National Insurance	4,639,464	4,874,644
Pension expense (note 17)	608,435	747,000
	<u>5,247,899</u>	<u>5,621,644</u>
The number of persons employed at year end was as follows	<u>121</u>	<u>120</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

25 Expenses by nature

	2013	2012
	\$	\$
Depreciation	2,092,923	2,071,862
Gas purchased (note 27)	3,763,283	3,699,675
Impairment of receivables	115,244	(27,251)
Insurance	465,392	473,309
Internal in-house services expenses (net)	86,987	43,058
Land tax	57,875	57,875
Legal fees	19,028	29,785
Maintenance	570,808	860,011
Meter reading, accounting and collection	457,388	307,008
Pensions expense	608,435	747,000
Gratuities	110,526	(58,287)
Rent	9,281	300
Salaries, wages and National Insurance	4,639,464	4,874,644
Special services	135,771	138,963
Supplies	877,384	1,345,878
Travel and utilities	375,526	377,442
Uniforms and safety equipment	44,924	40,829
	14,430,239	14,982,101
Reimbursements through jobbing	(60,086)	(90,376)
Installation and re-connection fees	(64,211)	(257,074)
	14,305,942	14,634,651
Total operating expenses	14,305,942	14,634,651

26 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2013/14 of \$2,086,400 (2012/13 - \$4,077,015). None of this expenditure had been contracted for at that date.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

27 Related party transactions

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

	2013 \$	2012 \$
Purchase of gas	<u>3,763,283</u>	<u>3,699,675</u>

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

	2013 \$	2012 \$
a) Salaries and directors' fees	<u>825,843</u>	<u>803,432</u>
b) Car loans		
Balance - beginning of year	68,657	104,108
Loan repayments received	<u>(35,451)</u>	<u>(35,451)</u>
Balance - end of year	<u>33,206</u>	<u>68,657</u>

No provision was required in 2013 or 2012 for the car loans made to key management.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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 do 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:

	2013 \$	2012 \$
Fixed rate borrowings	2,000,000	—
Variable rate borrowings	7,100,000	8,300,000
	<u>9,100,000</u>	<u>8,300,000</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 \$71,000 (2012 - \$83,000) lower or higher.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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:

	2013		2012	
	\$	%	\$	%
Cash on hand and at bank	1,631,968	36	586,886	18
Short term deposit	576,580	13	560,530	17
Accounts receivable	2,323,304	51	2,203,591	65
	4,531,852	100	3,351,007	100

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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
	\$	\$	\$	\$	\$	\$
2013						
Assets						
Cash on hand and at bank	1,631,968	1,631,968	1,631,968	-	-	-
Short term deposit	576,580	576,580	576,580	-	-	-
Accounts receivable	2,323,304	2,323,304	2,323,304	-	-	-
	4,531,852	4,531,852	4,531,852	-	-	-
Liabilities						
Accounts payable	2,378,825	2,378,825	2,378,825	-	-	-
Due to associated company	6,859,510	6,859,510	6,859,510	-	-	-
Borrowings	9,100,000	10,715,035	1,624,626	3,652,009	2,786,120	2,652,280
	18,338,335	19,953,370	10,862,961	3,652,009	2,786,120	2,652,280
Liquidity gap	(13,806,483)	(15,421,518)	(6,331,111)	(3,652,009)	(2,786,120)	(2,652,280)

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(expressed in Barbados dollars)

28 Financial risk management ...continued

c) Liquidity risk ...continued

	2012	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$
Assets							
Cash on hand and at bank		586,886	586,886	586,886	-	-	-
Short term deposit		560,530	560,530	560,530	-	-	-
Accounts receivable		2,203,591	2,203,591	2,203,591	-	-	-
		3,351,007	3,351,007	3,351,007	-	-	-
Liabilities							
Accounts payable		2,296,476	2,296,476	2,296,476	-	-	-
Due to associated company		6,374,549	6,374,549	6,374,549	-	-	-
Borrowings		8,300,000	9,301,000	1,742,500	7,558,500	-	-
		16,971,025	17,972,025	10,413,525	7,558,500	-	-
Liquidity gap		(13,620,018)	(14,621,018)	(7,062,518)	(7,558,500)	-	-

National Petroleum Corporation

Notes to Financial Statements

March 31, 2013

(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 is expected to be undertaken on a phased basis over a period of one year with the first phase concentrating on the merger of the administrative and back office services.

Notes

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