

# National Petroleum Corporation Annual Report 2012



## Dedication

In celebration of our 30th Anniversary, this report is dedicated to all the individuals whose hard work and commitment has lead to achieving this milestone.





# 2012 Annual Report of the **National Petroleum Corporation**

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Reference : 200 Vol 29  
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Minister of Energy  
Division of Energy and Telecommunications  
Prime Minister's Office  
Government Headquarters  
Bay Street  
St. Michael

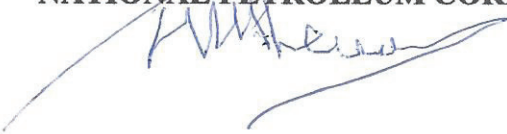
Dear Sir

**Letter of Transmittal**

Pursuant to Sections 16 and 19 of the National Petroleum Corporation Act Cap. 280, we have the honour to submit the thirtieth annual report and audited financial statements of the Corporation for the financial year ended March 31 2012.

We note that the Auditors have forwarded to you on May 21 2014 the audited accounts and financial statements of the Corporation in accordance with section 16(5) of the Act.

Yours faithfully  
**NATIONAL PETROLEUM CORPORATION**



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

## Mission & Values

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

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

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

## The Board of Directors



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



**Mr. Noel Greenidge**  
Deputy Chairman



**Mr. John Wilson**  
Director  
*(to January 31, 2012)*



**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

## The Board of Directors



**Mr. Mark Parris**  
Director



**Ms. Doreen Johnson**  
Director



**Ms. Hazel Gittens**  
Director  
Representative of Permanent  
Secretary, Finance



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



**Mr. Hutson Carrington**  
Director



**Ms. Laura Rudder**  
Corporate Secretary



### **LEGAL COUNSEL**

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

### **AUDITORS**

PricewaterhouseCoopers  
Chartered Accountants

### **BANKERS**

Barbados National Bank Inc  
FirstCaribbean 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  
Representative of Division of Energy & Telecommunications

### **ESTABLISHMENTS COMMITTEE**

Sir Harcourt Lewis - Chairman  
Mr. Ken Linton  
Mr. John Wilson  
Representative of Division of Energy & Telecommunications

### **TECHNICAL COMMITTEE**

Sir Harcourt Lewis - Chairman  
Miss Juliet Downes  
Mr. David Giles  
Representative of Division of Energy & Telecommunications

## Principal Officers

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

General Manager

**Mr. Birchmore DeCoursey Scantlebury**

Manager – Finance

**Ms. Mechelle Maria Smith**

Manager – Human Resources and Administration

**Mr. Roger Emmanuel Arthur Martindale**

Manager – Technical Operation

**Mr. Carlos Alistair Carter**

Senior Project Officer

**Mr. Wosley John Wayne Holder**

Technical Officer/Service Installations Coordinator

## SUPERVISORS & OFFICERS

### TECHNICAL OPERATION

Michael D Bascombe, Foreman

Andrea Burnett Edward, Petroleum Engineer

Stanley Phillips, Foreman

Whitstanley Smith, Superintendent

### FINANCE & ACCOUNTING

Ian Bradshaw, Accountant

Euclid Forde, Storekeeper

Paula Gittens, Customer Service Officer

Margo Jordan, Meter Reading Supervisor(ag)

Karen Pilgrim, Assistant Accountant Costs & Budgets

### HUMAN RESOURCES & ADMINISTRATION

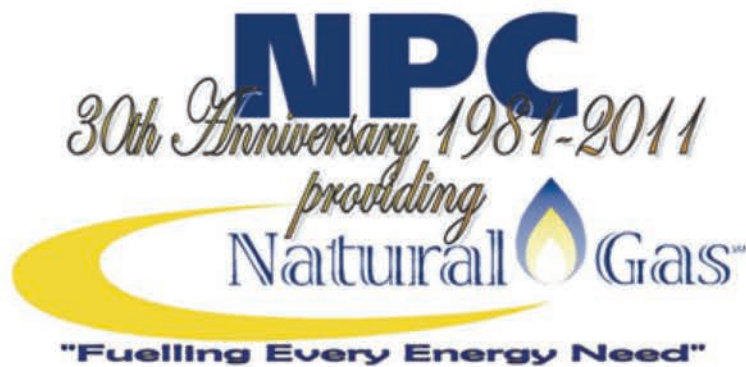
Francine Forde, Human Resources Officer

Basil Smart, Administrative Officer

### EXECUTIVE OFFICE

Noel King, Information Technology Officer (ag)

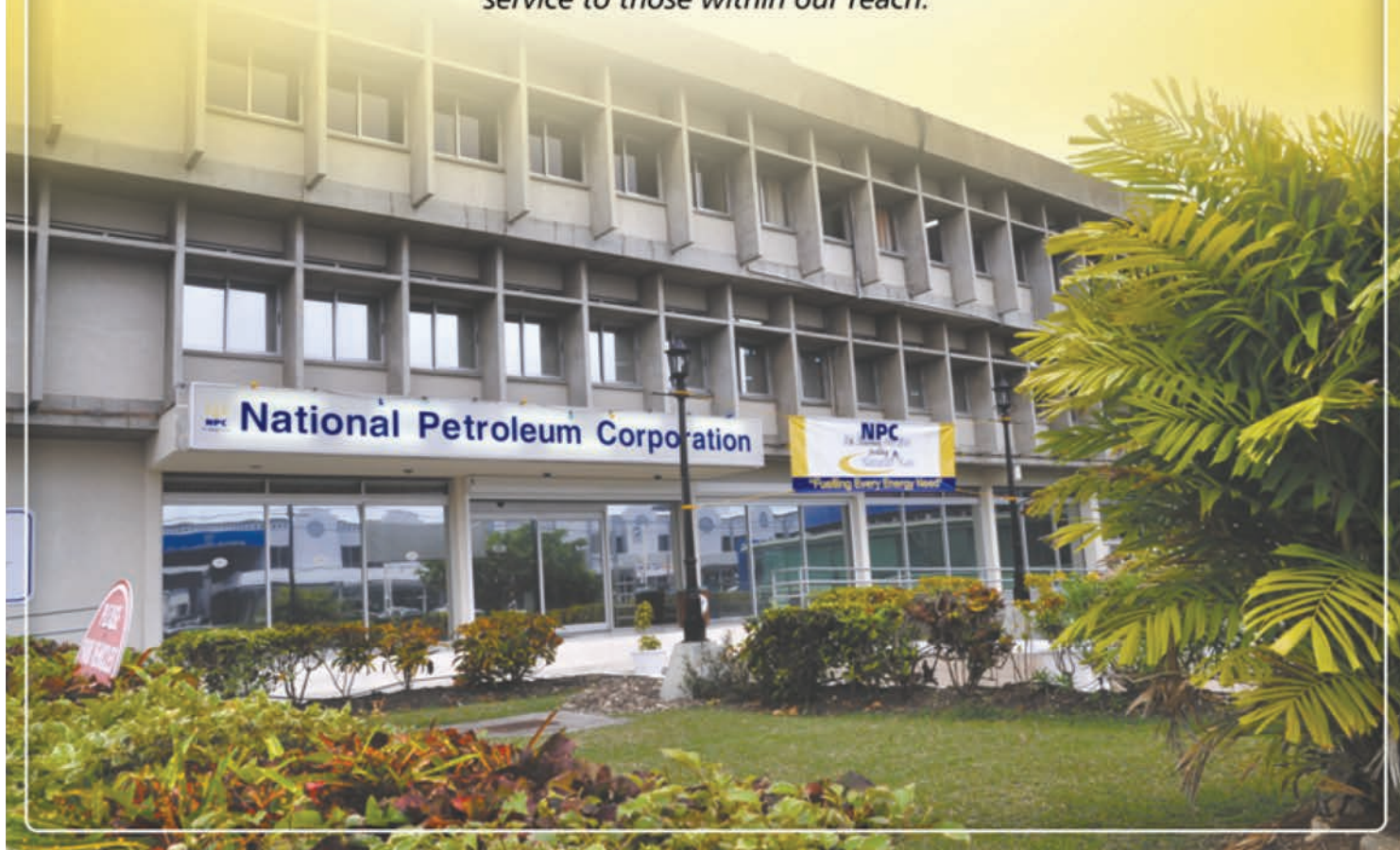




# Thank You Barbados!

***As distributors of natural gas on the island for 30 years,  
The Board, Management and Staff of the  
National Petroleum Corporation (NPC)  
express our sincere gratitude to the public of Barbados for their support.***

*We acknowledge the contribution of our associates and partners and take this opportunity to reaffirm our commitment to serve a growing number of Barbadian homes and businesses with pride and industry, delivering a Pure, Clean, Safe and Reliable Natural Gas service to those within our reach.*





## Chairman's Report



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

It is with a great honor and sense of pride that I deliver this message to you as Chairman of the Board of Directors on this the 30<sup>th</sup> Anniversary of the National Petroleum Corporation. Having been the Executive Director of NPC at its embryonic stage, to be the current Chairman at this milestone, holds a special place in my heart.

The going has been tough, but with the commitment of a team of dedicated staff members with an average lifetime contribution to NPC of 20 years, the Corporation has been able to ride the waves of times and anchor itself as an accomplished natural gas business entity.

Special thanks and appreciation is extended to our customers, all current and previous members of staff and our varying business partners whose invaluable contributions have made the NPC into what it is today.

and improvements in its operating procedures during the years due to technological innovations. The late 1990's saw major improvements in safety and reliability of our transmission and distribution infrastructure through the introduction of polyethylene technology. This replaced the tradition PVC, galvanise and steel pipe in new installations. Our installations are now more efficient and our infrastructure has a longer life expectancy due to the non-corrosive properties of the polyethylene pipe.

The Corporation has been able to attain significant accomplishments

In the administrative, commercial and financial areas the Corporation has been able to transform a previous paper based system with a revolutionary Innoprise ERP system. As a result, significant improvements in the management of our resources, financial and human as well as enhancements in our customer interactions has been realised.

NPC has continued over the years in its mandate to provide natural gas to all Barbadian homes. The rate of expansion has not been as rigorous as planned due to external



## Chairman's Report

economic forces such as rising costs to provide service. However our network has grown to approximately 330 miles covering eight of the eleven parishes on the island. Barbados still remains the only Caribbean country with a domestic natural gas supply network.

In celebration of its 30 years of accomplishments the Corporation launched the first Solar Powered Fast Fill Natural gas fuel station in the island.

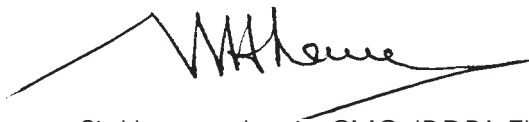
We take this opportunity to acknowledge the contributions of our customers, many of whom would have been here from the inception and have become lifetime partners in our journey.

The significant 30 years of accomplishments are due to the hard work and dedication of the management and staff of the NPC and the efforts of the Board of Directors. We must also thank our partners Barbados National Oil Company, the Division of Energy and the Minister of Energy for their contributions, as our achievements would not have been possible without them.

There is still a lot of work to be done but the Corporation has shown that it is on the right path as it continues to forge ahead fuelling the future with clean energy.

The Chairman and Board of Directors of the Corporation acknowledge the employees' dedication and support and look forward to the years ahead.

By Order of the Board



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

**It is through accomplishments that man makes his contribution and contribution is life's greatest reward. "**

**John Portman**

<b><u>SUMMARY OF OPERATIONS FOR PERIOD 2002/03 TO 2011/12</u></b>												
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	Net Revenue					
2012	327.95	4.54	25,895	638	19,331	11,600,534	14,989,872	15,468,266	-500	13,502,557		
2011	323.41	5.72	25,257	712	19,048	10,955,502	13,967,083	17,975,843	2,954,583	13,791,952		
2010	317.69	1.49	24,545	667	18,713	12,001,105	14,659,376	15,117,565	0	1,724,585		
2009	316.2	2.72	23,878	770	17,986	11,365,777	14,257,423	14,683,807	0	-2,922,203		
2008	313.48	5.09	23,108	883	17,617	11,916,109	14,457,440	15,201,146	0	-15,812,254		
2007	308.39	5.89	22,225	716	17,064	11,390,879	13,340,339	13,812,714	119,164	-572,666		
<b>2006</b>	<b>302.50</b>	<b>3.63</b>	<b>21,509</b>	<b>809</b>	<b>16,676</b>	<b>11,693,879</b>	<b>12,832,878</b>	<b>13,624,868</b>	<b>11,133</b>	<b>-2,276,098</b>		
<b>2005</b>	<b>298.87</b>	<b>3.60</b>	<b>20,700</b>	<b>1,232</b>	<b>15,851</b>	<b>10,852,153</b>	<b>11,310,184</b>	<b>11,819,606</b>	<b>-27,278</b>	<b>-4,278,125</b>		
<b>2004</b>	<b>295.27</b>	<b>25.56</b>	<b>19,468</b>	<b>1280</b>	<b>14,552</b>	<b>8,180,870</b>	<b>9,970,268</b>	<b>10,510,741</b>	<b>191,231</b>	<b>-1,620,381</b>		
<b>2003</b>	<b>269.71</b>	<b>8.66</b>	<b>18,188</b>	<b>405</b>	<b>13,673</b>	<b>10,232,346</b>	<b>10,781,591</b>	<b>11,286,582</b>	<b>181,850</b>	<b>-1,865,816</b>		

\* Services disconnected are not accounted for

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

## **Chairmen & General Managers through the Years 1981 to 2012**

### **CHAIRMEN**

Egbert C Brancker  
Aaron Truss, M P  
Vernon Williams  
James Cliviston King, O.B.E., BSC (Econ)  
Ronald Toppin, MP LLB  
Desmond Crichlow  
R Arthur Lewis  
John S M Rocheford  
Dr William Duguid, JP MP  
Sir Harcourt Lewis, CMG, JP, DPA, FIBA

### **GENERAL MANAGERS**

Gordon A Barrow  
Lionel A Moe  
LV Harcourt Lewis, DPA FIBA -  
Executive Director  
  
E Herman Brathwaite  
Ronald Glyne King  
Mark A Clarke  
Ken Linton  
James St E W Browne

## General Manager's Report

The strategy of the National Petroleum Corporation going into this our 30th year of operation was to:

- facilitate the provision of more natural gas to more domestic and business customers while remaining financially viable;
- improve the supply and value chain from the procurement of the natural gas to the delivery to its customers;
- improve customer base diversification, i.e. expand customer usage in areas such as refrigeration, industrial applications, electricity generation as well as encouraging and facilitating the use of natural gas fuelled vehicles;



To provide the foundation to achieve these strategies one of the major objectives was to first improve efficiencies of the natural gas pipeline distribution system.

Consequently, NPC through the Division of Energy and Telecommunications, reached out to the Inter-American Development Bank (IADB) who engaged the services of KEMA Consulting Ltd, to conduct a Technical Cooperation(TC) study into the upgrade and expansion of the natural gas network requirements of Barbados.

This study had two main components; Component I focused on the current and future outlook of the demand of fossil fuels in Barbados with specific emphasis on natural gas, and Component II focused on the assessment of the integrity of the entire existing network and potential future capacity and infrastructural needs.

Several objectives were achieved, including the recommendation for:

- the composition of Barbados' energy mix
- efficient and sustainable use of fossil fuels
- current and prospective future market demand for natural gas
- market plan for natural gas
- a replacement plan of the current infrastructure with cost determination.

Additionally, a feasibility study was conducted to determine the integrity of the natural gas network and a technical, legislative and environmental scoping study of the Importation of Natural Gas Project.



## General Manager's Report

A number of valuable outputs were generated from this technical cooperation study. These included:

- Details on leaks and other pipeline infrastructural issues were identified through the usage of modern surveillance equipment.
- Knowledge transfer in the use of modern leak and pipeline surveillance equipment.
- The surveying and recording of over 40 miles of the 330 miles of the corporation's pipeline network in GPS format.
- Detailed plans for the natural gas infrastructure with respect to the importation project were made available.
- A marketing strategy for future natural gas distribution which incorporates transportation for fleets and private vehicles, air conditioning and other commercial and industrial usages.

As a matter of urgency, the NPC launched into a full maintenance program which sought to improve the efficiencies in the delivery process specifically aimed at improving the gas yield and reducing the un-accounted-for-gas.

In particular, special emphasis was placed on improving the overland pipeline infrastructures which had deteriorated over the years as a result of age.

### Product Diversification

#### AC Refrigeration

NPC continued to work with customers in expanding the use of natural gas in air conditioning. The Crane Beach Resort added another 250 tonnes to bring their total usage to 500 tonnes of AC refrigeration. The Management of this hotel has indeed utilized technology to meet their cost saving objectives whilst meeting their greening targets and goals.

#### CNG for Vehicles

Additionally, in 2011 the Corporation launched the second phase of the natural gas filling station project where the objective was to improve the filling process with the installation of a commercial grade compressor. The partial powered off-grid PV system filling station was constructed to fill three vehicles at the same time

During this period, NPC also installed two new 5-tonnes natural gas powered AC units and the natural gas lighting within the Wildey compound.



The new Fuelling Station

## General Manager's Report

### Expanding the Network

Along with expanding the network reach to more Barbadian homes, NPC also continued to work with other business partners; i.e. the National Housing Corporation in the Coverley and Lancaster projects; the Ministry of Public Works on most of their road reconstruction projects; the Urban Development Commission on their road works projects and other private developers and businesses.

**We salute our current team members serving the Corporation for 30 years and more**



**Rumalsden Ward**



**Euclid Forde**



**Charles Price**



**Cheryl Millar**



**Jeffrey Jordan**



**Oswald Daniel**



**Michael Blackett**



**Basil Smart**



**Wosley Holder**



**Phillip Greenidge**



**Eslyn Gilkes**



**Stanley Phillips**



**Whitstanley Smith**



**Rhonda Clarke**



**Birchmore Scantlebury**



**Noel King**



## 30th Anniversary Celebrations "Natural Gas Fuelling every Energy Need"

The Corporation embarked on a number of activities to mark the 30th Anniversary Celebrations under the theme "Natural Gas Fuelling Every Energy Need." The activities commenced with an Anniversary Service at Bethel Methodist Church. This is how we spent our year of celebrations!





## 30th Anniversary Celebrations "Natural Gas Fuelling every Energy Need"







Reflections of the NPC by Rumalsden Ward and Wosley Holder

## 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

The financial year ending March 2012 showed some growth in the Corporation's operational capacity having generated a small operating profit of \$325,001 when compared with an operating loss of \$(203,733) in the previous year ending March 2011.

This year's share in profit of the Barbados National Oil Company increased by 19.35% from \$11,041,102 in 2011 to \$13,178,056 which resulted in a total Net and Comprehensive Income for the year of \$13,502,557.

#### Revenue Stream

Net Revenue from gas sales rose by 7.32% from \$13,967,083 in 2011 to \$14,989,872 in 2012. 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 .75% from 2,546,028 standard cubic metres in the previous year to 2,565,001 in the current year. At the end of

the financial year the total number of active customers in this category stood at 18620 an increase of 294 active customers when compared with the previous year.

**Commercial Sales**

Commercial sales volume increased by 691,406 standard cubic metres from 7,667,976 standard cubic metres to 8,359,382 standard cubic metres or 9.02%. At the end of the financial year the number of active commercial customers stood at 709 with an average annual usage of 11,790 cubic metres.

**Special Rate Sales**

For the year ending 2012, 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 totalled 676,151 standard cubic meters, a decrease of 65,347 standard cubic meters or 8.81%.

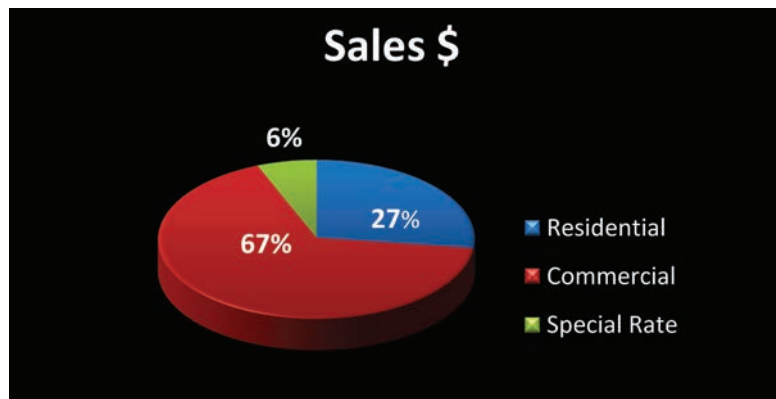


Figure 1: Sales Revenue by Customer Class

**Expenses**

Operating expenses for the year ending March 2012 totalled \$14,634,651, an increase of \$18,758 over last year’s total operating expenses. General, administrative and commercial expenses accounted for 48.88% of the total Operating Expenses.

Capital expenditure for the year totalled \$2,262,133 under the following heads:

Capital Expenditure	\$
Land and Buildings	81,895
Gas Wells, Pipelines, Production and Transmission Equipment	227,622
Distribution Plant and Equipment	1,699,732
Moveable Equipment and Furniture	252,884



## OPERATIONS OVERVIEW

### **Gas Supply & Reserves**

Purchase of natural gas from the Barbados National Oil Company Limited (BNOCL) was 13,902,769 standard cubic metres. The Corporation's Well #19 produced eighty eight (88) standard cubic meters.

According to information supplied by the BNOCL, the gas reserves as at March 31 2012 were estimated to be 5.359 million standard cubic metres.

### **Mains Installation**

During the year under review, 4.54 miles of new mains were laid. The Corporation continued its maintenance programme which included the replacement of the overland pipeline. A total of 0.80 miles or 1.29km of mains were replaced during the year. See Appendix 1 for the summary of mains laid for the financial year ending March 31 2012.

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

### **2011 Maintenance Programme**

As a result of the initial findings of the IADB Technical Corporation study, the Corporation accelerated efforts to replace the aging overland pipeline infrastructure. Works were completed in Warrens, St. Michael and Orange Hill, St. James.

### **Importation of Natural Gas Project**

Negotiations on the importation of natural gas project progressed during the year under review. The core team initialised the intergovernmental agreement between the Government of Barbados and the Republic of Trinidad and Tobago. Preparation continued on the host government agreement pending advancement in the commercial discussions.

To date the Republic of Trinidad and Tobago has approved the export of up to 30 mmcf/d of natural gas to Barbados over a 20 year period.

## HUMAN RESOURCES OVERVIEW

During the year under review, the Human Resources and Administration department (HR&A) focused on aligning its operation with the strategic objectives of the Corporation. To this end the Human Resources and Administration department continued in its drive to ensure greater efficiencies in its day to day engagements.

### **Staffing & Recruitment**

The department oversaw the recruitment and selection of a number of candidates both internal and external for temporary appointments during the year. These temporary appointments arose from approved leave and the retirement of permanent employees.

The Corporation welcomed Mr Jamal Squires, Petroleum Engineer(temp) to NPC effective September 2011. Additionally, the Corporation continued in its commitment to provide annual internship during the summer holidays for a number of students. This year we employed a total of 5 students from the Barbados Community College, the Samuel Jackman Prescod Polytechnic and University of the West Indies, Cave Hill Campus.

The staff complement as at March 31, 2012 was 120 as compared with 118 as at March 31, 2011.

### **Compensation & Benefits**

In an effort to capitalise on the efficiencies and benefits of the Corporate Innoprise ERP System, in January 2012 the HR department commenced full utilisation of the payroll module. This provided the potential for the integral alignment of the Corporation's time and attendance system with payroll and finance and increased the department's ability to provide timely payroll reports with detailed analysis and seamless service to staff.

*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 \$14,227,946.

### **Training & Development**

Through our commitment to fostering long-term employee engagement and lifelong learning, employees were exposed to a total of 816 hours of training in various areas including First Aid, Energy Management, Meter Reading, Defensive Driving, Natural Gas Pipe Fitting and Labour Legislation and Industrial Relations.

### **Employee Relations**

The Employment Relations Committee continues to provide a source for employee voice within the organization. Comprising members of the unions and management, the Committee has managed to meet on key organizational issues and has made headway into implementing overall improvements, many of which are initiated by staff.

The department will continue to use this avenue to improve upon its internal relationships and management welcomes this opportunity to have increased interaction with its staff.

### Retirements

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

**Winston Todd** – Meter Reader

**Michael Elliott** – Fitter

**Merline Phipps**– Meter Reading Supervisor

**Rupert Ballum** – General Worker

### Employee Appreciation Week

NPC continued its employee recognition programme with the hosting of the Annual Employee Appreciation Week. As part of our anniversary celebrations staff activities were extended to include motivational and personal development lectures and team building activities.

### Christmas Luncheon & Awards Ceremony

Our annual staff party and long service awards took place on Friday, December 16, 2011 at the Crane Beach Resort. A total of 25 staff members were honoured for their sterling contribution to the Corporation in the categories of long service, employee of the year supervisor of the year and perfect attendance.

<b>10 Years of Service</b>	<b>25 Years of Service</b>
Anthricia Hoyte	Michelle Bovell
Julie Miller	Carl Watson
<b>15 Years of Service</b>	<b>35 Years of Service</b>
Michael J Bascombe	Rupert Ballum
Rudolph Cadogan	<b>35 Years of Service</b>
Nicola Codrington	Charles Price
Wendy Forde	<b>40 Years of Service</b>
Ryan Griffith	Jeff Chapman
<b>20 Years of Service</b>	Sylvester Phillips
Cameron Brewster	Whitstanley Smith
Paula Gittens	
Kathy Moseley	



**Employee of the Year:** Everton Hoyte & Winston Ifill



**Supervisor of the Year:** Whitstanley Smith





**KPI Award Winner:** Human Resources & Administration Department

## APPENDIX I

### Summary of Mains Laid April 1 2011 to March 31 2012

LOCATION	SIZE OF MAIN	DISTANCE
<b>St. Michael</b>		
Barbarees Garden	1 1/4" H.P. P.E.	24'-0"
Black Rock - Danesbury	1 1/4" H.P. P.E.	517'-8"
Flint Hall (R)	1" Steel	55'-0"
Free Hill - Mosecliffe	1 1/4" H.P. P.E.	111'-9"
Hardwood Alley	3" L.P. P.E.	191'-6"
Jackson Roundabout (R)	3" H.P. P.E.	180'-0"
Johnson Road	1 1/4" H.P. P.E.	20'-2"
Lodge Hill - Warrens Upgrade	3" H.P. P.E.	21'-11"
Lodge Hill - Warrens Upgrade	4" H.P. P.E.	9'-6"
Magazine Lane	2" H.P. P.E.	152'-7"
Skeete Road - Gap off	1 1/4" H.P. P.E.	297'-11"
Warrens (R)	4" H.P. P.E.	375'-3"
Warrens (R)	3" H.P. P.E.	157'-7"
<b>St. James</b>		
Gilbert Parris Gap	1 1/4" H.P. P.E.	185'-7"
Halcyon Heights	1 1/4" H.P. P.E.	38'-4"
Halcyon Heights - Upper	1 1/4" H.P. P.E.	27'-0"
Mahogany Ave	1 1/4" H.P. P.E.	19'-8"
Orange Hill - Overland (R)	2" H.P. Steel	240'-0"
Queens Fort - Old	2" H.P. P.E.	602'-0"
Seaview Road	3" H.P. P.E.	3364'-7"
Sunset Crest Gap	1 1/4" H.P. P.E.	5'-6"
Waterman Village	1 1/4" H.P. P.E.	185'-11"
<b>St. Thomas</b>		
Blowers (R)	2" H.P. Steel	260'-0"
Plumtree (R)	3" H.P. Steel	152'-0"

## APPENDIX I

### Summary of Mains Laid April 1 2011 to March 31 2012

LOCATION	SIZE OF MAIN	DISTANCE
Plumtree (R)	2" H.P. Steel	42'-0"
Warrens	4" H.P. P.E.	1108'-0"
Warrens	6" H.P. P.E.	1120'-0"
<b>St. Philip</b>		
Crane	4" H.P. P.E.	1325'-0"
<b>Christ Church</b>		
Adams Castle, Vauxhall	2" H.P. P.E.	675'-10"
Atkins	1 1/4" H.P. P.E.	1114'-9"
Coral Ridge	4" H.P. P.E.	824'-8"
Coverley - Cherry Tree	2" H.P. P.E.	1388'-0"
Coverley Development	2" H.P. P.E.	5098'-1"
Deanes Land	1 1/4" H.P. P.E.	522'-0"
Newton	4" H.P. P.E.	758'-8"
Newton - Banks Holdings	4" H.P. P.E.	2686'-3"
Newton (R)	4" H.P. Steel	658'-0"
Waverley	2" H.P. P.E.	1162'-11"
<b>St. Andrew</b>		
Apes Hill (R)	4" H.P. Steel	240'-0"
Apes Hill (R)	2" H.P. Steel	22'-0"
<b>St. George</b>		
Boarded Hall	3" H.P. P.E.	403'-0"
Valley - trainline (R)	3" H.P. P.E.	1840'-5"
<b>Replacement (R)</b>	<b>0.80 mls / 1.29 km</b>	<b>4222'-3"</b>
<b>Distribution</b>	<b>4.54 mls / 7.30 km</b>	<b>23962'-9"</b>
<b>Total Mains Laid</b>	<b>5.34 mls / 8.59 km</b>	<b>28185'-0"</b>

## APPENDIX II

### DISTRIBUTION OF INCOME FOR PERIOD 2002/03 TO 2011/12

Year	* Income from all sources		Operating Expenses						Interest Charges		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		\$	%	\$	%	\$	%		
2012	\$ 15,468,266	100	\$ 8,863,114	57.30	\$ 3,699,675	23.92	\$ 2,071,862	13.39	\$ 508,114	3.28	\$ (500)	(0.003)	\$ 325,001	2.10	\$ 13,178,056	\$ 13,502,557
2011	\$ 17,975,843	100	\$ 8,915,103	49.59	\$ 3,604,777	20.05	\$ 2,096,013	11.66	\$ 609,100	3.39	\$ 2,954,583	16.44	\$ (203,733)	-1.13	\$ 11,041,102	\$ 13,791,952
2010	\$ 15,117,565	100	\$ 9,007,523	59.58	\$ 1,479,252	9.78	\$ 2,164,693	14.32	\$ 741,512	4.9	\$ 0	0	\$ 1,724,585	11.41	\$ 0	\$ 1,724,585
2009	\$ 14,683,807	100	\$ 7,994,446	54.44	\$ 6,572,809	44.76	\$ 2,079,465	14.16	\$ 959,290	6.53	\$ 0	0	\$ 2,922,203	-19.9	\$ 0	\$ -2,922,203
2008	\$ 15,201,146	100	\$ 6,971,535	45.86	\$ 5,174,760	34.04	\$ 2,207,017	14.52	\$ 1,189,878	7.83	\$ 0	0	\$ (342,044)	-2.25	\$ (15,470,210)	\$ 15,812,254
2007	\$ 13,812,714	100	\$ 7,319,844	52.99	\$ 3,786,788	27.42	\$ 2,103,773	15.23	\$ 1,508,245	10.92	\$ 119,164	0.86	\$ 1,025,100	-7.42	\$ 452,434	\$ -572,666
2006	\$ 13,624,868	100	\$ 6,740,587	49.47	\$ 3,938,388	28.91	\$ 2,048,198	15.03	\$ 1,328,482	9.75	\$ 11,133	0.08	\$ (441,920)	-3.24	\$ (1,834,178)	\$ -2,276,098
2005	\$ 11,819,606	100	\$ 7,324,686	61.97	\$ 2,693,905	22.79	\$ 1,935,552	16.38	\$ 1,011,236	8.56	\$ (27,278)	-0.23	\$ 1,118,495	-9.46	\$ (3,159,630)	\$ (4,278,125)
2004	\$ 10,510,741	100	\$ 7,598,492	72.29	\$ 2,146,365	20.42	\$ 1,739,523	16.55	\$ 900,681	8.57	\$ 191,231	1.82	\$ 2,065,551	19.65	\$ 445,170	\$ (1,620,381)
2003	\$ 11,286,582	100	\$ 6,730,900	59.64	\$ 2,339,535	20.73	\$ 2,608,841	23.11	\$ 625,762	5.54	\$ 181,850	1.61	\$ 1,200,306	10.63	\$ (665,510)	\$ (1,865,816)

\* Gross of discounts and allowances



**APPENDIX III**

**ANALYSIS OF GAS SALES**

	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
<b>No. of Active Customers (Mar-31)</b>										
Residential	18,620	18,326	18,011	17,308	16,935	16,425	16,019	15,233	13,980	13,101
Commercial	709	719	700	675	678	635	654	616	570	570
Special Rate	2	3	2	3	4	4	3	2	2	2
	19,331	19,048	18,713	17,986	17,617	17,064	16,676	15,851	14,552	13,673
	M3	M3	M3	M3	M3	M3	M3	M3	M3	M3
<b>Sales</b>										
Residential	2,565,001	2,546,028	2,566,639	2,468,169	2,459,144	2,362,526	2,307,580	2,211,229	2,189,680	2,269,900
Commercial	8,359,382	7,667,976	7,490,879	6,973,948	6,691,579	6,001,132	5,421,619	5,026,672	4,947,588	5,194,163
Special Rate	676,151	741,498	1,943,587	1,923,660	2,765,386	3,027,221	3,964,680	3,614,252	1,043,602	2,768,284
	11,600,534	10,955,502	12,001,105	11,365,777	11,916,109	11,390,879	11,693,879	10,852,153	8,180,870	10,232,347
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Value of Gas Sold</b>										
Residential	3,792,402	3,762,936	3,796,300	3,649,750	3,637,013	3,494,457	3,412,959	3,270,365	3,237,916	3,140,464
Commercial	9,970,741	9,200,363	8,966,375	8,366,942	8,031,329	7,225,248	6,539,633	6,073,461	5,970,275	6,266,581
Special Rate	925,842	754,239	1,660,927	1,766,783	2,309,722	2,130,615	2,408,632	1,577,752	400,990	1,021,168
	14,688,985	13,717,538	14,423,602	13,783,475	13,978,064	12,850,320	12,361,224	10,921,578	9,609,181	10,428,213
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Gross Revenue From Gas Sales</b>										
Residential	4,457,671	4,430,437	4,432,445	4,268,277	4,238,132	4,078,560	3,978,401	3,799,296	3,723,310	3,608,172
Commercial	10,100,196	9,326,995	9,090,184	8,489,942	8,147,825	7,342,335	6,651,047	6,180,222	6,072,029	6,368,734
Special Rate	926,172	754,419	1,661,287	1,767,488	2,310,487	2,131,200	2,409,067	1,578,113	401,350	1,021,528
	15,484,039	14,511,851	15,183,916	14,525,707	14,696,444	13,552,095	13,038,515	11,557,631	10,196,689	10,998,434
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Rates Realised Per Cubic Meter</b>										
Residential	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.38
Commercial	1.19	1.2	1.2	1.2	1.2	1.2	1.21	1.21	1.21	1.21
Special Rate	1.37	1.02	0.85	0.92	0.84	0.7	0.61	0.44	0.38	0.37

# **NATIONAL PETROLEUM CORPORATION**

**Financial Statements**  
**March 31, 2012**  
**(Expressed in Barbados Dollars)**



# 2012 Annual Report of the **National Petroleum Corporation**



## 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, 2012, 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, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers SRH*

May 16, 2014  
Bridgetown, Barbados

# National Petroleum Corporation

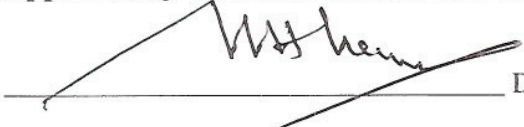
## Balance Sheet

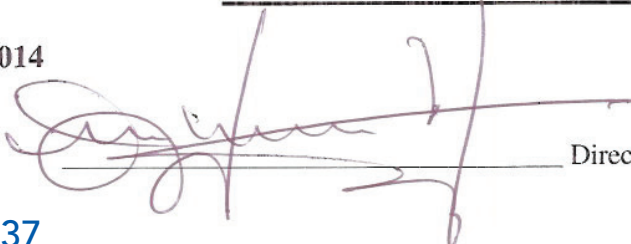
As of March 31, 2012

(expressed in Barbados dollars)

	2012	2011
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and at bank (note 4)	586,886	580,814
Short term deposit (note 5)	560,530	560,494
Accounts receivable (note 6)	2,203,591	2,179,759
Corporation tax recoverable	13,458	13,458
Inventories (note 7)	1,177,816	1,704,086
Prepaid expenses	44,806	98,512
	<u>4,587,087</u>	<u>5,137,123</u>
<b>Property, plant and equipment</b> (note 8)	33,829,274	33,639,002
<b>Investment in associated company</b> (note 9)	20,162,867	11,041,102
<b>Deferred tax asset</b> (note 10)	2,954,083	2,954,583
<b>Deferred expenses</b> (note 11)	61,500	70,500
	<u>61,594,811</u>	<u>52,842,310</u>
<b>Total assets</b>		
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Bank overdraft	-	32,869
Accounts payable and accrued liabilities (note 12)	4,262,708	3,453,951
Due to associated company (note 13)	6,374,549	9,740,867
Current portion of borrowings (note 14)	1,200,000	1,487,484
Progress payments received (note 15)	78,458	86,827
	<u>11,915,715</u>	<u>14,801,998</u>
<b>Borrowings</b> (note 14)	7,100,000	8,300,000
<b>Deferred lease premium</b> (note 16)	570,303	600,303
<b>Deferred credit</b> (note 17)	1,896,479	1,943,637
<b>Pension plan liability</b> (note 18)	3,903,913	4,490,528
<b>Capital grants</b> (note 22)	1,533,880	1,533,880
	<u>26,920,290</u>	<u>31,670,346</u>
<b>Total liabilities</b>		
<b>Equity</b>		
Capital contributed by Government of Barbados (note 19)	10,407,157	10,407,157
Retained earnings	24,267,364	10,764,807
	<u>34,674,521</u>	<u>21,171,964</u>
<b>Total liabilities and equity</b>	<u>61,594,811</u>	<u>52,842,310</u>

Approved by the Board of Directors on April 24, 2014

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# National Petroleum Corporation

## Statement of Changes in Equity

For the year ended March 31, 2012

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(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Retained earnings \$	Total \$
<b>Balance at March 31, 2010</b>	10,407,157	(3,027,145)	7,380,012
Net income and total comprehensive income for the year	–	13,791,952	13,791,952
<b>Balance at March 31, 2011</b>	10,407,157	10,764,807	21,171,964
Net income and total comprehensive income for the year	–	13,502,557	13,502,557
<b>Balance at March 31, 2012</b>	<b>10,407,157</b>	<b>24,267,364</b>	<b>34,674,521</b>

# National Petroleum Corporation

## Statement of Comprehensive Income

For the year ended March 31, 2012

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(expressed in Barbados dollars)

	2012 \$	2011 \$
<b>Sales</b>		
Natural gas	<u>14,989,872</u>	13,967,083
<b>Operating expenses</b>		
Production, transmission and distribution (note 20)	5,409,944	5,088,217
General, administrative and commercial	7,152,846	7,431,663
Depreciation (note 8)	<u>2,071,861</u>	2,096,013
	<u>14,634,651</u>	14,615,893
	355,221	(648,810)
<b>Subsidy from Government</b>	–	466,120
<b>Other income</b> (note 21)	<u>477,894</u>	588,057
<b>Operating profit</b>	833,115	405,367
Interest and other loan expenses	<u>(508,114)</u>	(609,100)
<b>Net income/(loss) for the year before share of associated company</b>	325,001	(203,733)
Share of profit of associated company (note 8)	<u>13,178,056</u>	11,041,102
<b>Income before taxation</b>	13,503,057	10,837,369
Taxation (note 10)	<u>(500)</u>	2,954,583
<b>Net income and total comprehensive income for the year</b>	<u>13,502,557</u>	13,791,952



# National Petroleum Corporation

## Statement of Cash Flows

March 31, 2012

(expressed in Barbados dollars)

	2012	2011
	\$	\$
<b>Cash flows from operating activities</b>		
Net income and total comprehensive income for the year	13,503,057	10,837,369
Adjustments for:		
Depreciation	2,071,861	2,096,013
Amortisation of deferred expenses	9,000	9,000
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of deferred credit	(114,811)	(111,384)
Interest and other loan expenses	508,114	609,100
Interest income	(20,817)	(21,187)
Pension expense	747,000	1,089,431
Project income	(76,213)	(151,005)
Share of income of associated company	(13,178,056)	(11,041,102)
Gain on disposal of property, plant and equipment	–	(17,318)
Operating profit before working capital changes	3,419,135	3,268,917
Increase in short term deposit	(36)	(43,744)
(Increase)/decrease in accounts receivable	(23,832)	350,374
Decrease/(increase) in inventories	526,270	(399,121)
Decrease/(increase) in prepaid expenses	53,706	(65,745)
Increase in accounts payable and accrued liabilities	808,757	533,262
Increase in amount due to associated company	689,973	567,569
Increase in progress payments received	135,497	274,011
Cash generated from operations	5,609,470	4,485,523
Interest and other loan expenses paid	(508,114)	(609,100)
Pension contributions paid	(1,333,615)	(1,282,243)
Net cash from operating activities	3,767,741	2,594,180
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,262,133)	(2,851,509)
Proceeds from sale of equipment	–	17,318
Interest income received	20,817	21,187
Net cash used in investing activities	(2,241,316)	(2,813,004)
<b>Cash flows used in financing activities</b>		
Repayments of borrowings	(1,487,484)	(1,748,107)
Capital grants received	–	1,533,880
Net cash used in financing activities	(1,487,484)	(214,227)
<b>Increase/(decrease) in cash and cash equivalents</b>	38,941	(433,051)
<b>Cash and cash equivalents - beginning of year</b>	547,945	980,996
<b>Cash and cash equivalents - end of year</b> (note 4)	586,886	547,945

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 1 Establishment, principal activity and registered office

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

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

## 2 Significant accounting policies

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

### a) Basis of preparation

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

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

#### i) *New 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 2012 financial year but not currently relevant to the Corporation*

IAS 1 (amendment)	Presentation of financial instruments
IAS 36 (amendment)	Impairment of assets.
IFRS 2 (amendments)	Group cash-settled share-based payment transactions.
IFRS 3 (revised)	Business combinations, and consequential amendments to IAS 27, Consolidated and separate financial statements, IAS 28, Investments in associates, and IAS 31, Interests in joint ventures.
IFRS 5	Non-current assets held for sale and discontinued operations.
IFRIC 9	Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement.
IFRIC 16	Hedges of a net investment in a foreign operation.
IFRIC 17	Distribution of non-cash assets to owners'.

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 2 Significant accounting policies ...continued

### a) Basis of preparation ...continued

#### iii) *New standards, amendments and interpretations issued but not yet effective 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 (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 9	'Financial Instruments' (effective January 1, 2013)
IFRS 12	'Disclosures of interests in other entities' (effective January 1, 2013)
IFRS 13	'Fair value measurement' (effective January 1, 2013)

### 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, 2012

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(expressed in Barbados dollars)

## 2 Significant accounting policies ...continued

### d) Property, plant and equipment

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

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

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

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

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

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

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

### e) Accounts payable

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



# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 2 Significant accounting policies ...continued

### f) Investment in associated company

The investment in Barbados National Oil Company Limited (BNOCL), an associated company, is accounted for on the equity method of accounting whereby the Corporation's share of BNOCL's net income or loss is included in the Corporation's statement of income.

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, 2012

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(expressed in Barbados dollars)

## 2 Significant accounting policies ...continued

### i) Provisions

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

### j) Borrowings

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

### k) Pension plan valuation

The Corporation operates a non-contributory defined benefit pension plan. (Note 18).

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, 2012

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(expressed in Barbados dollars)

### 3 Critical accounting estimates and judgements

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

### 4 Cash and cash equivalents

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

	2012 \$	2011 \$
Cash on hand and at bank	586,886	580,814
Bank overdraft	–	(32,869)
	<hr/> 586,886	<hr/> 547,945

### 5 Short term deposit

The interest rate on the short term deposit at year end was 2.95% (2011 - 2.95%)

The original maturity of the deposit is 365 days.

### 6 Accounts receivable

	2012 \$	2011 \$
Trade receivables:		
Customers	2,066,008	2,607,671
Servicing	760,338	1,627,188
	<hr/> 2,826,346	<hr/> 4,234,859
Less: Provision for impairment of receivables	(885,459)	(2,460,296)
	<hr/> 1,940,887	<hr/> 1,774,563
Trade receivables - net	1,940,887	1,774,563
Other receivables	262,704	405,196
	<hr/> 2,203,591	<hr/> 2,179,759

As at year end, trade receivables of \$1,820,692 (2011 - \$1,084,594) were fully performing.

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 6 Accounts receivable ...continued

Trade receivables that are less than 4 months past due are not considered impaired. As at year end trade receivables of \$625,081 (2011 - \$689,969) 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:

	2012 \$	2011 \$
30 to 60 days	501,810	537,600
Over 90 days	123,271	152,369
	<u>625,081</u>	<u>689,969</u>

As at year end, trade receivables of \$885,459 (2011 - \$2,460,296) were impaired and provided for. The aging of these trade receivables is as follows:

	2012 \$	2011 \$
Over 90 days	<u>885,459</u>	<u>2,460,296</u>

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

	2012 \$	2011 \$
Balance - beginning of year	2,460,296	2,122,071
Impairment charge	9,104	338,225
Reversal of provision no longer required	<u>(1,583,941)</u>	-
Balance - end of year	<u>885,459</u>	<u>2,460,296</u>

Bad debt recoveries recorded in the statement of comprehensive income in respect of impaired receivables were \$36,355 (2011 - direct write offs of \$4,172).

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.



# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 7 Inventories

	2012 \$	2011 \$
Materials and supplies	1,232,171	1,711,588
Provision for obsolescence	<u>(137,585)</u>	<u>(230,199)</u>
	1,094,586	1,481,389
Gas	9,468	9,468
Goods in transit	<u>73,762</u>	<u>213,229</u>
	<u>1,177,816</u>	<u>1,704,086</u>

The movement in the provision for obsolescence is as follows:

	2012 \$	2011 \$
Balance - beginning of year	230,199	570,885
Reversal of provision no longer required	<u>(92,614)</u>	<u>(340,686)</u>
Balance - end of year	<u>137,585</u>	<u>230,199</u>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

(expressed in Barbados dollars)

## 8 Property, plant and equipment

	Land and buildings \$	Gas wells, pipelines, production and transmission equipment \$	Distribution, plant and equipment \$	Moveable equipment \$	Total \$
<b>At March 31, 2010</b>					
Cost or valuation	5,241,494	8,193,349	63,270,868	5,981,087	82,686,798
Accumulated depreciation	(4,190,019)	(7,754,031)	(32,618,763)	(5,240,479)	(49,803,292)
Net book amount	1,051,475	439,318	30,652,105	740,608	32,883,506
<b>Year ended March 31, 2011</b>					
Opening net book amount	1,051,475	439,318	30,652,105	740,608	32,883,506
Additions	139,800	39,710	2,415,081	256,918	2,851,509
Disposals	–	–	(34,283)	(124,022)	(158,305)
Depreciation on disposals	–	–	34,283	124,022	158,305
Depreciation charge	(172,838)	(37,585)	(1,586,147)	(299,443)	(2,096,013)
Closing net book amount	1,018,437	441,443	31,481,039	698,083	33,639,002
<b>At March 31, 2011</b>					
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
<b>Year ended March 31, 2012</b>					
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	<b>920,733</b>	<b>630,941</b>	<b>31,535,584</b>	<b>742,016</b>	<b>33,829,274</b>
<b>At March 31, 2012</b>					
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	<b>920,733</b>	<b>630,941</b>	<b>31,535,584</b>	<b>742,016</b>	<b>33,829,274</b>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

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

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

## 9 Investment in associated company

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

	2012 \$	2011 \$
Balance - beginning of year	11,041,102	(767,424)
Share of income for the year	13,178,056	11,808,526
Dividend income	(4,056,291)	—
	<hr/>	<hr/>
Balance - end of year	<u>20,162,867</u>	11,041,102

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 \$
2012	<u>115,651,119</u>	<u>95,488,252</u>	<u>200,451,993</u>	<u>13,178,056</u>
2011	<u>86,909,305</u>	<u>75,868,203</u>	<u>155,298,901</u>	<u>11,808,526</u>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 10 Deferred tax asset

	2012 \$	2011 \$
Balance - beginning of year	2,954,583	–
Deferred tax (charge)/credit	(500)	2,954,583
	<hr/>	<hr/>
Balance - end of year	2,954,083	2,954,583

The deferred tax asset consists of the following components:

	2012 \$	2011 \$
Accelerated tax depreciation	(2,558,420)	(4,431,243)
Unutilised tax losses (note 24)	10,470,840	11,759,046
Pension plan liability	3,903,913	4,490,528
	<hr/>	<hr/>
	11,816,333	11,818,331
	<hr/>	<hr/>
Deferred tax asset at corporation tax rate of 25% (2011 - 25%)	2,954,083	2,954,583

The expiry dates of the tax losses are disclosed in Note 24. The other temporary differences have no expiry dates.



# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 11 Deferred expenses

\$

### At March 31, 2010

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

### Year ended March 31, 2011

Opening net balance	79,500
Amortisation	<u>(9,000)</u>
Closing net balance	<u>70,500</u>

### 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><b>61,500</b></u>

### At March 31, 2012

Cost	108,000
Accumulated amortisation	<u>(46,500)</u>
Net book amount	<u><b>61,500</b></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, 2012

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(expressed in Barbados dollars)

## 12 Accounts payable and accrued liabilities

	2012 \$	2011 \$
Customer deposits	1,531,570	1,424,226
Trade payables	764,906	663,938
Payroll deductions	1,406	364
Accrued expenses	1,964,826	1,365,423
	<u>4,262,708</u>	<u>3,453,951</u>

## 13 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 28.

## 14 Borrowings

	2012 \$	2011 \$
i) National Insurance Scheme \$2.5M loan	–	287,484
ii) Bank of Nova Scotia \$14.4M loan	8,300,000	9,500,000
	<u>8,300,000</u>	<u>9,787,484</u>
Current portion	(1,200,000)	(1,487,484)
	<u>7,100,000</u>	<u>8,300,000</u>

	2012 \$	2011 \$
i) National Insurance Scheme \$2.5M loan - total balance	–	287,484
Less instalments due within twelve months and shown under current liabilities	–	287,484
	<u>–</u>	<u>–</u>
Long-term portion	–	–

The loan was repayable in semi-annual instalments of blended principal and interest of \$296,828. The loan bore interest at 6.5% (2011 - 6.5%) per annum.

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

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 14 Borrowings ...continued

	2012 \$	2011 \$
ii) Bank of Nova Scotia \$14.4M loan - total balance	8,300,000	9,500,000
Less instalments due within twelve months and shown under current liabilities	<u>(1,200,000)</u>	(1,200,000)
Long-term portion	<u>7,100,000</u>	8,300,000

The loan is repayable in monthly instalments of \$100,000 and loan bears interest at 5.5% (2011 - 5.5%) per annum. The facility was renewed for a further five year term until 2017 subsequent to year end.

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

## 15 Progress payments received

	2012 \$	2011 \$
Balance - beginning of year	86,827	55,960
Additions	135,497	274,011
Taken to income	(76,213)	(151,005)
Transfers to deferred credit (note 16)	<u>(67,653)</u>	(92,139)
Balance - end of year	<u>78,458</u>	86,827

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, 2012, the following amounts were received in respect of work to be done.

	\$
The Villages at Coverley	113,002
Sandy Browne Project	11,431
Lovemore Juices	<u>11,064</u>
	<u>135,497</u>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 16 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, 2010

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

### Year ended March 31, 2011

Opening net balance	630,303
Amortisation (note 20)	<u>(30,000)</u>
Closing net balance	<u>600,303</u>

### 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>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 17 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 a 40 year period.

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 a 40 year period.

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 a 40 year period.

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 a 40 year period.

	2012	2011
	\$	\$
Balance - beginning of year	1,943,637	1,962,882
Amortisation (note 21)	(114,811)	(111,384)
Additions (note 15)	67,653	92,139
	<hr/>	<hr/>
Balance - end of year	1,896,479	1,943,637

## 18 Pension plan

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

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

The triennial valuation of the plan was performed as of April 1, 2009 and an interim valuation was performed as of March 31, 2012. 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, 2012

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(expressed in Barbados dollars)

## 18 Pension plan ...continued

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

	2012	2011
	\$	\$
Present value of funded obligations	14,227,946	14,278,553
Fair value of plan assets	<u>(10,822,386)</u>	<u>(9,868,066)</u>
	3,405,560	4,410,487
Unrecognised actuarial gains	<u>498,353</u>	<u>80,041</u>
Pension plan liability	<u><b>3,903,913</b></u>	<u>4,490,528</u>

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

	2012	2011
	\$	\$
Balance - beginning of year	14,278,553	14,811,987
Current service at cost	348,079	352,812
Past service at cost	-	21,792
Interest cost	1,076,866	1,027,164
Benefits paid	(1,013,872)	(629,242)
Actuarial gains on obligation	<u>(461,680)</u>	<u>(1,305,960)</u>
Balance - end of year	<u><b>14,227,946</b></u>	<u>14,278,553</u>

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

	2012	2011
	\$	\$
Balance - beginning of year	9,868,066	8,742,807
Expected return on plan assets	651,816	589,505
Actuarial loss on plan assets	(17,239)	(117,247)
Contributions paid	1,333,615	1,282,243
Benefits paid	<u>(1,013,872)</u>	<u>(629,242)</u>
Balance - end of year	<u><b>10,822,386</b></u>	<u>9,868,066</u>

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 18 Pension plan ...continued

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

	2012 \$	2011 \$
Current service cost	348,079	352,812
Interest cost	1,076,866	1,027,164
Expected return on plan assets	(651,816)	(589,505)
Net actuarial (gain)/loss recognised in the year	(26,129)	277,168
Past service cost	-	21,792
	<u>747,000</u>	<u>1,089,431</u>
Actual return on plan assets	<u>634,577</u>	<u>472,258</u>

The movement in the pension plan liability is as follows:

	2012 \$	2011 \$
Balance - beginning of year	4,490,528	4,683,340
Pension expense for the year (note 25)	747,000	1,089,431
Contributions paid	(1,333,615)	(1,282,243)
Pension plan liability	<u>3,903,913</u>	<u>4,490,528</u>

Principal actuarial assumptions used for accounting purposes were:

	2012	2011
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	GAM 94	GAM 94

Expected contributions for the year ending March 31, 2013 are \$1,255,583.

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

(expressed in Barbados dollars)

## 18 Pension plan ...continued

	2012 \$	2011 \$	2010 \$	2009 \$
Present value of funded obligations	<b>14,227,946</b>	14,278,553	14,811,987	13,619,214
Fair value of plan assets	<b>(10,822,386)</b>	(9,868,066)	(8,742,807)	(7,878,280)
	<b>3,405,560</b>	4,410,487	6,069,180	5,740,934
Unrecognised actuarial gains/(losses)	<b>498,353</b>	80,041	(1,385,840)	(1,225,928)
Surplus	<b>3,903,913</b>	4,490,528	4,683,340	4,515,006
Experience adjustments on plan liabilities	<b>(411,072)</b>	1,049,359	5,783	(405,120)
Experience adjustments on plan assets	<b>(17,239)</b>	(117,247)	(2,341)	(50,860)

## 19 Capital contributed by Government of Barbados

This is comprised of:

	2012 \$	2011 \$
Capitalised loans	<b>950,000</b>	950,000
Capitalised interest on loans	<b>1,333,802</b>	1,333,802
Capitalisation of land granted to the Corporation (note 8(b))	<b>218,000</b>	218,000
Additional capital contributed by Government of Barbados during 1982/83	<b>20,000</b>	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	<b>7,885,355</b>	7,885,355
	<b>10,407,157</b>	10,407,157

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 20 Production, transmission and distribution costs

	2012 \$	2011 \$
Production	3,699,863	3,605,004
Transmission	18,805	28,577
Distribution	2,103,295	1,773,142
	<hr/> 5,821,963	<hr/> 5,406,723
Less:		
Reimbursements through jobbing	(90,376)	(109,224)
Installation and re-connection fees	(257,074)	(154,508)
In house services	(64,569)	(54,774)
	<hr/> 5,409,944	<hr/> 5,088,217

## 21 Other income

	2012 \$	2011 \$
Project income	76,213	151,005
Interest	20,817	21,187
Rental income	216,193	224,781
Miscellaneous income	19,860	49,700
	<hr/> 333,083	<hr/> 446,673
Amortisation of lease premium (note 16)	30,000	30,000
Amortisation of deferred credit (note 17)	114,811	111,384
	<hr/> 477,894	<hr/> 588,057

## 22 Capital grant

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, 2012

(expressed in Barbados dollars)

## 23 Taxation

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

	2012 \$	2011 \$
Net income and total comprehensive income for the year	<u>13,503,057</u>	10,837,369
Tax calculated at 25% (2011 - 25%)	3,375,764	2,709,342
Tax effect of the following:		
Expenses not deductible for tax purposes	49,760	59,560
Commercial building allowance claimed	(40,938)	(40,788)
Investment allowance claimed	(89,573)	(85,260)
Deferred tax asset recognised	–	(2,841,251)
Under provision of previous year's tax	–	4,090
Tax effect of share of income of associated company	<u>(3,294,513)</u>	(2,760,276)
	<u>500</u>	(2,954,583)

## 24 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 \$	Balance c/f \$	Expiry date
2004	1,779,281	(1,288,206)	491,075	2013
2005	2,585,230	–	2,585,230	2014
2006	1,696,592	–	1,696,592	2015
2007	2,371,892	–	2,371,892	2016
2008	1,915,347	–	1,915,347	2017
2009	1,410,704	–	1,410,704	2018
	<u>11,759,046</u>	<u>(1,288,206)</u>	<u>10,470,840</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.



# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 25 Staff costs

Staff costs comprise the following:

	2012 \$	2011 \$
Salaries, wages and National Insurance	4,874,644	4,917,247
Pension expense (note 17)	747,000	1,089,431
	<u>5,621,644</u>	<u>6,006,678</u>
 The number of persons employed at year end was as follows	 <u>120</u>	 <u>118</u>

## 26 Expenses by nature

	2012 \$	2011 \$
Depreciation	2,071,862	2,096,013
Gas purchased (note 27)	3,699,675	3,972,543
Impairment of receivables	(27,251)	342,397
Insurance	473,309	439,894
Internal in-house services expenses (net)	43,058	40,949
Land tax	57,875	74,848
Legal fees	29,785	10,300
Maintenance	860,011	590,912
Meter reading, accounting and collection	307,008	198,469
Pensions expense	747,000	1,089,431
Gratuities	(58,287)	67,251
Rent	300	300
Salaries, wages and National Insurance	4,874,644	4,917,247
Special services	138,963	52,227
Supplies	1,345,878	614,571
Travel and utilities	377,442	332,555
Uniforms and safety equipment	40,829	39,718
	<u>14,982,101</u>	<u>14,879,625</u>
Reimbursements through jobbing	(90,376)	(109,224)
Installation and re-connection fees	(257,074)	(154,508)
	<u>14,634,651</u>	<u>14,615,893</u>
Total operating expenses		

# National Petroleum Corporation

Notes to Financial Statements

March 31, 2012

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(expressed in Barbados dollars)

## 27 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2012/13 of \$4,077,015 (2011/12 - \$2,736,941). None of this expenditure had been contracted for at that date.

## 28 Related party transactions

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

	2012 \$	2011 \$
Purchase of gas	<u>3,699,675</u>	<u>3,604,777</u>

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

	2012 \$	2011 \$
a) Salaries and directors' fees	<u>803,432</u>	807,089
b) Car loans		
Balance - beginning of year	<b>104,108</b>	130,705
Loan repayments received	<u>(35,451)</u>	<u>(26,597)</u>
Balance - end of year	<u><b>68,657</b></u>	<u>104,108</u>

No provision was required in 2012 or 2011 for the car loans made to key management.

# National Petroleum Corporation

Notes to Financial Statements

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(expressed in Barbados dollars)

## 29 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 5 and 13.

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

	2012 \$	2011 \$
Fixed rate borrowings	–	287,484
Variable rate borrowings	<b>8,300,000</b>	9,500,000
	<b>8,300,000</b>	9,787,484

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 \$83,000 (2011 - \$95,000) lower or higher.

# National Petroleum Corporation

Notes to Financial Statements

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(expressed in Barbados dollars)

## 29 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:

	2012		2011	
	\$	%	\$	%
Cash on hand and at bank	586,886	18	580,814	17
Short term deposit	560,530	17	560,494	17
Accounts receivable	2,203,591	65	2,179,759	66
	<b>3,351,007</b>	<b>100</b>	<b>3,321,067</b>	<b>100</b>

# National Petroleum Corporation

Notes to Financial Statements

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(expressed in Barbados dollars)

## 29 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.

	Less than 1 year \$	Between 1 & 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<b>2012</b>					
<b>Assets</b>					
Cash on hand and at bank	586,886	–	–	–	586,886
Short term deposit	560,530	–	–	–	560,530
Accounts receivable	2,203,591	–	–	–	2,203,591
	<b>3,351,007</b>	–	–	–	<b>3,351,007</b>
<b>Liabilities</b>					
Accounts payable	2,296,476	–	–	–	2,296,476
Due to associated company	6,374,549	–	–	–	6,374,549
Borrowings	1,742,500	7,558,500	–	–	9,301,000
	<b>10,413,525</b>	<b>7,558,500</b>	–	–	<b>17,972,025</b>
<b>Liquidity gap</b>	<b>(7,062,518)</b>	<b>(7,558,500)</b>	–	–	<b>(14,621,018)</b>



# National Petroleum Corporation

Notes to Financial Statements

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(expressed in Barbados dollars)

## 29 Financial risk management ...continued

### c) Liquidity risk ...continued

	Less than 1 year \$	Between 1 & 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<b>2011</b>					
<b>Assets</b>					
Cash on hand and at bank	580,814	–	–	–	580,814
Short term deposit	560,494	–	–	–	560,494
Accounts receivable	2,179,759	–	–	–	2,179,759
	<u>3,321,067</u>	–	–	–	<u>3,321,067</u>
<b>Liabilities</b>					
Bank overdraft	32,869	–	–	–	32,869
Accounts payable	2,088,164	–	–	–	2,088,164
Due to associated company	9,740,867	–	–	–	9,740,867
Borrowings	2,123,328	1,742,500	7,558,500	–	11,424,328
	<u>13,985,228</u>	<u>1,742,500</u>	<u>7,558,500</u>	–	<u>23,286,228</u>
<b>Liquidity gap</b>	<u>(10,664,161)</u>	<u>(1,742,500)</u>	<u>(7,558,500)</u>	–	<u>(19,965,161)</u>

### Working capital deficiency

As of year end the Corporation's current liabilities on the balance sheet exceed its current assets by \$7,328,628 (2011 - \$9,664,875). Included in current liabilities are amounts due to associated company of \$6,374,549 (2011 - \$9,740,867).

# National Petroleum Corporation

Notes to Financial Statements

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(expressed in Barbados dollars)

## 29 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.

