



2003 - 2004 Annual Report

**NATIONAL PETROLEUM CORPORATION
ANNUAL REPORT**

April 2003 – March 2004

THE BOARD OF DIRECTORS

From July 1 2003



Standing, left to right: Messrs. Merton Brathwaite, Matthew Thornhill, Steven Williams, Maurice Estwick
Seated, left to right: Mr. Ken Linton (General Manager), Mr. Roger Smith (Deputy Chairman),
Dr. William Duguid (Chairman), Mr. Merland Burke, Mrs. Carol Nurse (Secretary to the Board).

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National Petroleum Corporation
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P.O. Box 175, Bridgetown
Barbados, West Indies
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NPC

The Energy People.

April 20 2005

The Minister of Energy and Public Utilities
Ministry of Energy and Public Utilities
NPC Building
Wilkey
St Michael

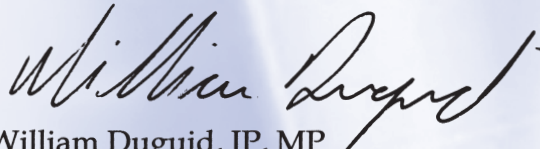
Dear Sir

Letter of Transmittal

Pursuant to Sections 16 and 19 of the National Petroleum Corporation Act Cap. 280, we have the honour to submit the twenty-second annual report and audited financial statements of the Corporation for the financial year ended March 31 2004.

The Auditors have confirmed that they forwarded to you, on February 7 2005, copies of the audited accounts and financial statements of the Corporation in accordance with section 16(5) of the Act.

Yours faithfully
NATIONAL PETROLEUM CORPORATION



William Duguid, JP, MP
Chairman

Mission Statement

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

Corporate Values

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

- ☐ **Service**: To provide the best possible service, never forgetting that what is done and the way it is done vitally affects the thousands of customers who depend on its service.
- ☐ **Honesty**: To conduct our business with honesty and integrity.
- ☐ **Concern**: To show concern for the welfare of our 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

To June 2003

John S M Rocheford

Chairman

Senior Vice President/Director
CGM Insurance Brokers Limited

Mr. Lionel Jordan

Deputy Chairman

Manager, Credit
Barbados National Bank

Mrs. Nalita Gajadhar

Director

President
National Organisation of Women

Mr. Ronald Hewitt

Director

General Manager
Barbados National Oil Company Limited

Mr. Winston Gibson

Director

Head of Arts Department
St. Leonard's School

Mr. Robert Morris

Director

Representative of The Barbados Workers' Union

Mr. Philmore Best

Director

Nominee, Permanent Secretary,
Ministry of the Environment, Energy and Natural Resources

BOARD OF DIRECTORS

To June 2003 (Cont'd)

Mr. Matthew Thornhill**Director**Process Engineer
Arawak Cement Company Limited**Mr. Curtis Thompson****Director**

Environmental Health Officer 1

SECRETARY TO THE BOARD

Mrs. Carol Nurse

LEGAL COUNSEL

Senator C Lindsay Bolden

AUDITORSPricewaterhouseCoopers
Chartered Accountants

BOARD OF DIRECTORS

From July 1 2003

Dr William Duguid JP, MP

Chairman

Managing Director
Pine Dental Services

Mr Roger Smith

Deputy Chairman

Group Accountant
Sagikor Life Inc.

Mr Merton Brathwaite

Director

Graduate Teacher
Parkinson Memorial School

Mr Merland Burke

Director

Assistant Manager and Company Secretary
Barbados Agricultural Credit Trust Limited

Mr Errol Crawford

Director

Mr Maurice Estwick

Director

Quantity Surveyor

Mr Ronald Hewitt

Representative of Barbados National Oil Company Limited

Director

General Manager

Barbados National Oil Company Limited

BOARD OF DIRECTORS

From July 1 2003 (Cont'd)

Mr Robert Morris

Representative of The Barbados Workers' Union

Director

Deputy General Secretary
The Barbados Workers' Union

Senator Gregory Nicholls**Director**

Attorney-at-Law

Mr Matthew Thornhill**Director**

Process Engineer
Arawak Cement Company Limited

Mr Steven Williams**Director**

Chief Executive Officer
Sunisle Communications Inc.

SECRETARY TO THE BOARD

Mrs Carol Nurse

LEGAL COUNSEL

Senator C Lindsay Bolden, CBE

AUDITORS

PricewaterhouseCoopers
Chartered Accountants

BANKERS

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

COMMITTEES OF THE BOARD OF DIRECTORS

To June 2003

FINANCE COMMITTEE

Mr. Ronald Hewitt – Chairman
Mr. Philmore Best – Director
Mrs. Nalita Gajadhar – Director
Mr. Lionel Jordan – Director
General Manager – Ex Officio

ESTABLISHMENTS COMMITTEE

Mrs. Nalita Gajadhar – Chairman
Mr. Winston Gibson – Director
Mr. Ronald Hewitt – Director
General Manager – Ex Officio

TECHNICAL COMMITTEE

Mr. Matthew Thornhill – Chairman
Mr. Winston Gibson – Director
Mr. Curtis Thompson – Director
General Manager – Ex Officio
Manager Technical Operations – Co-opted

COMMITTEES OF THE BOARD OF DIRECTORS

From July 1 2003

FINANCE COMMITTEE

Dr William Duguid - Chairman
Mr Merland Burke - Director
Mr Maurice Estwick - Director
Senator Gregory Nicholls – Director
Mr Roger Smith - Director
Mr Steven Williams - Director
General Manager - Ex Officio

ESTABLISHMENTS COMMITTEE

Dr William Duguid - Chairman
Mr Merton Brathwaite - Director
Mr Merland Burke - Director
Senator Gregory Nicholls – Director
Mr Roger Smith - Director
General Manager – Ex Officio

TECHNICAL COMMITTEE

Dr William Duguid - Chairman
Mr Ronald Hewitt - Director
Mr Matthew Thornhill – Director
Mr Steven Williams - Director
General Manager – Ex Officio

PRINCIPAL OFFICERS

Ken Hamilton Linton
Acting General Manager

Mrs Carol Ann Nurse
Manager – Human Resources and Administration

Birchmore DeCoursey Scantlebury
Manager – Finance

Carol Randolph Padmore
Acting Manager – Technical Operations

Carlos Alistair Carter
Acting Technical Officer

Wosley John Wayne Holder
Technical Officer/Services Installations Coordinator

ANNUAL REPORT OF THE NATIONAL PETROLEUM CORPORATION FOR THE YEAR APRIL 1 2003 TO MARCH 31 2004

The Board of Directors of the National Petroleum Corporation submits its **twenty-second** Annual Report together with the audited financial statements for the year ended **March 31 2004**.

Constitution and Purpose of the Corporation

The National Petroleum Corporation is a public 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). From January 24 1996, the Corporation has held **25%** of the equity in BNOCL while the Government of Barbados holds **75%**.

The Corporation was managed by a Board of Directors which comprised nine members under the chairmanship of Mr John S M Rocheford until June 2003 and, from July 1 2003, **eleven** members under the chairmanship of **Dr William Duguid**.

The duties of Secretary to the Corporation were performed by **Mrs Carol Ann Nurse, Manager – Human Resources and Administration**.

Remuneration of Members

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

The remuneration paid by the Corporation to its members during the accounting year 2003/2004 totalled \$25,948 and was in accordance with the rates fixed by the Government.

Operations

During the year 144,934 feet (44.18 km or 27.45 miles) of new distribution mains were laid. The areas in which the gas mains were laid are shown in Appendix I. 1280 new connections were installed and 96 services were terminated. Some gas services were repositioned.

To accelerate the number of service connections, the Corporation continued its programme of subsidised internal connections.

Capital Expenditure

Capital expenditure for the year totalled **\$ 7,785,554** under the following heads

	\$
Land and Buildings	83,967
Gas Wells, Pipelines, Production and Transmission Equipment	514,376
Distribution Plant and Equipment	6,712,324
Moveable Equipment and Furniture	474,887

Gas Supply

The Corporation purchased **12,200,153** standard cubic metres of gas from its supplier, the Barbados National Oil Company Limited. The Corporation's Well #19 produced 1,288 standard cubic metres.

Gas Reserves

According to information supplied by the Ministry of Energy and Public Utilities, the gas reserves, as at March 31 2004, were estimated to be 4,242 billion standard cubic feet or 120.1 million standard cubic metres.

Gas Sales

The total volume of gas sold during 2003/2004 was **8,180,870** standard cubic metres as compared with **10,232,347** standard cubic metres during 2002/2003, a decrease of **2,051,477** standard cubic metres or 20.05%.

Residential sales showed a decrease of **80,220** standard cubic metres from **2,269,900** standard cubic metres to **2,189,680** standard cubic metres or 3.53%.

Commercial sales decreased by 246,575 standard cubic metres from **5,194,163** standard cubic metres to **4,947,588** standard cubic metres or 4.75%.

Total sales to special rate customers – Barbados Light and Power Company Limited and Queen Elizabeth Hospital – decreased by **1,724,682** standard cubic metres from **2,768,284** standard cubic metres to **1,043,602** standard cubic metres or 62.30%.

The value of sales to Barbados Light and Power Company Limited decreased by **\$642,102** from **\$697,073** in 2002/2003 to **\$54,971** or approximately 92.11%. The volume decreased by **1,764,512** standard cubic metres from **1,904,661** standard cubic metres to **140,149** standard cubic metres or 92.64%. The average selling price per cubic metre was **\$0.39** as compared with **\$0.37** in 2002/2003, an increase of **\$0.02** per cubic metre or 5.41%.

The Queen Elizabeth Hospital recorded an increase of **39,830** standard cubic metres in the volume of sales from **863,623** standard cubic metres to **903,453** standard cubic metres or 4.61%.

The price at which natural gas is purchased by the Corporation from the Barbados National Oil Company Limited and the price at which it is sold to the Barbados Light and Power Company Limited were based on the fuel equivalent of imported Bunker 'C' fuel. The price of the latter this year varied from **128.694 to 174.087** Bds cents per US gallon. The price last year varied from **117.592** cents to **178.345** cents per US gallon.

Income and Expenditure

The Corporation recorded a **deficit of (\$1,620,381)** in 2003/2004 compared to a deficit of (\$1,865,816) in 2002/2003. The decline in net income resulted mainly from an increase in the net operating loss recorded during the year.

The Corporation's deficit before share of net income of BNOCL and taxation increased by **\$492,164** from a deficit of **\$1,382,156** in 2003 to **(\$1,874,320)** in the year under review.

Operating expenses including purchase of gas, depreciation and interest charges, totalled **\$12,385,061**. Total income from all sources excluding the share of net income of BNOCL was **\$10,510,741**.

Staff

The staff complement as at March 31 2004 was **145**. It was, in comparison, 138 at March 31 2003.

Retirements

The Board records its appreciation of the contributions of Mr Walter Nedd, General Worker, who retired medically unfit on October 30 2003, after 14 years' service and Mr Newton Hinds, Fitter, who retired on July 7 2003 at age 65, after 37 years' service.

Staff Training and Development

During the year the Corporation continued training its staff with a view to enhancing their skills and to promoting employee growth and development.

Various employees attended the seminars, workshops and conferences listed below

Local:

Programme in Polyethylene (PE) Pipe Fusion

The Corporation conducted an in-house training programme in PE Pipe Fusion from February 11 to 26, 2004.

The programme, which was supported by a grant from the Technical and Vocational Education and Training Council (TVET), was conducted by two trainers from the Northern Alberta Institute of Technology (NAIT).

Completing the programme were employees from the National Petroleum Corporation, three employees from the Barbados Water Authority and three employees from the Samuel Jackman Prescod Polytechnic. The Honourable Anthony Wood, Minister of Energy and Public Utilities, made the opening remarks while Chairman Dr William Duguid gave the closing remarks and presented the certificates.

Other Local Programmes Included:

Barbados National Productivity Council

✓ Productivity and Service “Excellence Seminar” March 2004

The Barbados Public Workers’ Cooperative Credit Union Limited

✓ Wealth Management Seminar March 2004

Government’s Training Administration Unit

✓ Introduction to Computer Applications Course January 2004

Computer Resources and Training Centre

✓ Basic Personal Computer Training December 2003

✓ Customer Service Skills February 2004

Overseas:

✓ Eastern Caribbean Pipeline Workshop, Trinidad and Tobago February 2004

✓ Annual Energy Caribbean Oil, Gas and LNG Conference,
Trinidad and Tobago December 2003

Supervisory Control and Data Acquisition System (SCADA)

In January 2004 the Corporation completed installation of a SCADA system. From the Wildey headquarters, the system monitors operations at the three regular stations and the gas supply from Woodbourne. Some of the major benefits of the SCADA system are the efficient management of the gas supply from Woodbourne and its more reliable and accurate information gathering capabilities.

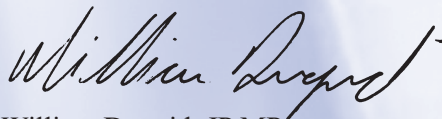
Christmas Party and Awards Ceremony

At the annual staff party held on December 13 2003, the Corporation honoured two retirees and 14 employees – of whom seven received long service awards in the 30, 20, and 15 years’ categories. The Honourable Anthony Wood gave the feature address and Dr William Duguid presented the awards.

Appreciation

The Chairman and Directors of the Board take pleasure in expressing their appreciation to the management and staff for their valuable contribution to the operation of the Corporation during the year under review.

By Order of the Board



William Duguid, JP MP
Chairman

April 20, 2005



Dr. William Duguid, Chairman, presents an honorary certificate in Pipe Fusion to Mr. Ken Linton, Acting General Manager.
Permanent Secretary, Mr. C. Browne, is in the background at right.

APPENDIX 1

SUMMARY OF MAINS LAID APRIL 1 2003 TO MARCH 31 2004

LOCATION	SIZE OF MAIN	DISTANCE
St. Michael		
Tichbourne	2" H.P. P.E.	1119'-8"
Canewood	1 1/4" H.P. P.E.	1268'-8"
Tichbourne	1 1/4" H.P. P.E.	447'-11"
Rouen Road	2" H.P. P.E.	34'-0"
Reed Street	2" H.P. P.E.	365'-1"
Reece Land & Roads 1 to 4	1 1/4" H.P. P.E.	2956'-8"
Reece Land (Flagstaff)	2" H.P. P.E.	1022'-8"
Brownes Gap (Jackson)	1 1/4" H.P. P.E.	2452'-2"
Rock Hampton Gap	1 1/4" H.P. P.E.	426'-11"
Field Place	1 1/4" H.P. P.E.	1729'-2"
Simmons Land	1 1/4" H.P. P.E.	1342'-10"
Simmons Land	2" H.P. P.E.	1783'-2"
Balsdon Land	2" H.P. P.E.	36'-8"
Balsdon Land	1 1/4" H.P. P.E.	1694'-4"
Green Hill	1 1/4" H.P. P.E.	1950'-10"
Green Hill	4" H.P. P.E.	494'-6"
Green Hill	3" H.P. P.E.	3699'-9"
White Hall & Avenues	1 1/4" H.P. P.E.	7852'-2"
White Hall & Avenues	1 1/4" H.P. Steel	14'-0"
White Hall & Avenues	2" H.P. P.E.	2'-3"
Tudor Bridge	1 1/4" H.P. P.E.	46'-0"
Tudor Bridge	3" H.P. P.E.	690'-0"
Civilian/Pioneer/Chapel Road	1 1/4" H.P. P.E.	1801'-9"
Bow Road	1 1/4" H.P. P.E.	1990'-11"
Bow Road	3" H.P. P.E.	2'-0"
Cutting Road	2" H.P. P.V.C.	1040'-0"
Roberts/Monroe/Cutting Road	2" H.P. P.E.	1087'-8"
Cutting Road	1 1/4" H.P. P.V.C.	49'-0"
Hanson and Monroe	1 1/4" H.P. P.E.	67'-3"
Pasture Road	1 1/4" H.P. P.E.	2250'-3"
Jemmotts Lane (R)	6" L.P. P.V.C.	18'-5"
Belle View (R)	1 1/4" H.P. Steel	105'-0"
Passage Road (R)	2" H.P. P.E.	41'-6"
Country Road (R)	3" H.P. P.E.	1861'-9"
Country Road (R)	3" H.P. Steel	27'-0"
Country Road (R)	2" H.P. P.E.	153'-10"
Country Road (R)	1 1/4" H.P. P.E.	89'-0"
Roebuck Street (R)	3" H.P. P.E.	805'-7"

APPENDIX 1

SUMMARY OF MAINS LAID APRIL 1 2003 TO MARCH 31 2004 (Cont'd.)

LOCATION	SIZE OF MAIN	DISTANCE
Bank Hall (R)	3" H.P. P.E.	465'-0"
Forde's Road (R)	1 1/4" H.P. P.E.	9'-6"
Laundry Road (R)	1 1/4" H.P. P.E.	14'-2"
Alleyes Road (R)	1 1/4" H.P. P.E.	5'-8"
Branch Main (R)	1 1/4" H.P. P.E.	18'-2"
Garrison (R)	4" H.P. P.E.	2338'-1"
Garrison (R)	3" H.P. P.E.	129'-11"
Garrison (R)	1 1/4" H.P. P.E.	6'-8"
Garrison (R)	1 1/4" H.P. Steel	11'-1"
Garrison (R)	2" H.P. Steel	13'-0"
Garrison (R)	2" H.P. P.E.	124'-8"
Field Gap (R)	1 1/4" H.P. P.E.	20'-0"
Field Gap (R)	1" H.P. P.E.	8'-0"
Parkinson Field (R)	1 1/4" H.P. P.E.	6'-6"
White Park (R)	3" H.P. P.E.	545'-1"
Christ Church		
Chancery Lane	3" H.P. P.E.	3653'-3"
Chancery Lane	2" H.P. P.E.	5192'-7"
Chancery Lane	1 1/4" H.P. Steel	16'-3"
Chancery Lane	1 1/4" H.P. P.E.	6801'-1"
Leadvale	2" H.P. P.E.	3864'-11"
Leadvale	1 1/4" H.P. P.E.	490'-3"
Dover Road & Aves (R)	3" L.P. P.E.	2359'-2"
Dover Road & Aves (R)	2" L.P. P.E.	86'-10"
Dover Road & Aves (R)	1" Steel	12'-11"
Four Acres Gap (R)	3" L.P. P.E.	11'-5"
Dayrells Road (R)	3" L.P. P.V.C.	18'-0"
Sayers Court	1 1/4" H.P. P.E.	2030'-5"
Bartlett Tenantry Road (R)	1 1/4" H.P. P.E.	10'-0"
St. Lawrence Main Road (R)	4" H.P. Steel	93'-2"
Fairholmes Gardens	1 1/4" H.P. Steel	139'-0"
Fairholmes Gardens	1 1/4" H.P. P.E.	6240'-11"
Fairholmes Gardens	2" H.P. P.E.	266'-8"
Fairholmes Gardens	2" H.P. P.V.C.	13'-5"
Ealing Park South East	4" H.P. P.E.	1330'-0"
Ealing Park Main	4" H.P. P.E.	1610'-6"
Ealing Park South	3" H.P. P.E.	29'-0"
Ealing Park South	1 1/4" H.P. P.E.	2245'-6"

APPENDIX 1

SUMMARY OF MAINS LAID APRIL 1 2003 TO MARCH 31 2004 (Cont'd.)

LOCATION	SIZE OF MAIN	DISTANCE
St. George		
Dash Valley	1 1/4" H.P. P.V.C.	543'-1"
Dash Valley	3" H.P. P.V.C.	1633'-9"
Dash Valley	4" H.P. P.E.	1432'-0"
St. Philip		
Crane/Friendship	2" H.P. P.E.	156'-1"
Crane/Friendship	1 1/4" H.P. P.E.	1778'-4"
Emerald City Development	1 1/4" H.P. P.E.	5754'-10"
Emerald City Development	1 1/4" H.P. Steel	13'-7"
Emerald City Development	2" H.P. P.E.	4182'-4"
Emerald City Development	2" H.P. Steel	13'-10"
Greenidge Road	1 1/4" H.P. P.E.	988'-8"
Greenidge Road	1 1/4" H.P. P.V.C.	7'-0"
Hedding Road	3" H.P. P.E.	131'-11"
Nursery/Mangrove	1 1/4" H.P. P.E.	6754'-9"
Six Roads	4" H.P. P.E.	579'-7"
St. Martins	4" H.P. P.V.C.	88'-10"
St. Martins (R)	3" H.P. P.E.	203'-3"
St. Martins	1 1/4" H.P. P.E.	83'-1"
Kirtons	3" H.P. Steel	144'-8"
Kirtons	3" H.P. P.V.C.	27'-0"
St. James		
Durants	3" H.P. Steel	74'-6"
Durants	3" H.P. P.E.	2573'-2"
Durants	2" H.P. P.E.	882'-9"
Durants	1 1/4" H.P. P.E.	6334'-7"
Holders Hill	1 1/4" H.P. P.E.	1312'-9"
Holders Hill	3" H.P. P.E.	30'-6"
Holders Hill	4" H.P. Steel	50'-4"
Holders Hill	4" H.P. P.E.	4844'-10"
Holders Hill	2" H.P. P.E.	858'-7"
Broomes Terrace	1 1/4" H.P. P.E.	446'-0"
Trents	4" H.P. P.V.C.	694'-6"
Trents	4" H.P. P.E.	633'-8"
Greenwich	1 1/4" H.P. P.E.	6'-6"
Greenwich	2" H.P. P.E.	162'-1"
Douglin Road	1 1/4" H.P. P.E.	1723'-7"

APPENDIX 1

SUMMARY OF MAINS LAID APRIL 1 2003 TO MARCH 31 2004 (Cont'd.)

LOCATION	SIZE OF MAIN	DISTANCE
Foxy Club Road	1 1/4" H.P. P.E.	820'-0"
Reid/Taylor/Bairds Roads	1 1/4" H.P. P.E.	2819'-10"
Berbice No. 1 & 2	1 1/4" H.P. P.E.	1322'-7"
Oxnards Crescent	1 1/4" H.P. P.E.	1722'-4"
St. Peter		
Church Street	2" H.P. P.E.	759'-0"
Speightstown	1 1/4" H.P. P.E.	5144'-10"
Speightstown	1 1/4" H.P. Steel	18'-8"
Speightstown (R)	4" H.P. Steel	133'-0"
St. Thomas		
Redman Village	1 1/4" H.P. P.E.	77'-1"
Redman Village	2" H.P. P.E.	1681'-6"
Redman Village	3" H.P. P.E.	264'-3"
Welches	2" H.P. P.E.	57'-1"
Welches	3" H.P. P.E.	1687'-0"
Content (R)	3" H.P. Steel	231'-0"
Total Replacement (R)	1.89 mls / 3.04 km	9976'-4"
Total Distribution	27.45 mls / 44.18 km	144934'-2"

APPENDIX II

DISTRIBUTION OF INCOME FOR PERIOD 1994/95 TO 2003/04

Year	* Income from all sources		Operating Expenses								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		Corporation Tax (Credit) Charge					
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$			
2004	10,510,741	100.00	7,598,492	72.29	2,146,365	20.42	1,739,523	16.55	900,681	8.57	191,231	1.82	(2,065,551)	(19.65)	445,170	(1,620,381)
2003	11,286,582	100.00	6,730,900	59.64	2,339,535	20.73	2,608,841	23.11	625,762	5.54	181,850	1.61	(1,200,306)	(10.63)	(665,510)	(1,865,816)
2002	11,392,624	100.00	6,958,304	61.08	2,108,895	18.51	2,615,724	22.96	735,267	6.45	1,250,677	10.98	(2,276,243)	(19.98)	4,653,660	2,377,417
2001	13,240,095	100.00	6,434,555	48.60	3,441,334	25.99	2,699,655	20.39	750,925	5.67	(38,383)	(0.29)	(124,757)	(0.94)	3,841,121	3,716,364
2000	12,079,219	100.00	6,838,432	56.61	2,850,369	23.60	2,629,730	21.77	717,210	5.94	472,803	3.90	(483,719)	(4.00)	(513,807)	(997,526)
1999	12,057,060	100.00	5,774,893	47.90	2,401,849	19.92	2,211,060	18.34	648,966	5.38	(356,658)	(2.96)	1,376,950	11.42	0	1,376,950
1998	9,851,970	100.00	4,978,623	50.53	1,644,463	16.70	1,842,436	18.70	153,885	1.56	14,508	0.15	1,218,055	12.36	(1,125,707)	92,348
1997	9,700,667	100.00	4,386,706	45.22	1,844,091	19.01	1,717,863	17.71	90,721	0.93	380,871	3.93	1,280,415	13.20	258,965	1,539,380
1996	10,047,296	100.00	4,076,522	40.57	2,110,902	21.01	1,620,192	16.13	204,059	2.03	480,507	4.78	1,555,114	15.48	(3,895)	1,551,219
1995	9,475,997	100.00	3,770,575	39.79	1,657,334	17.49	1,582,367	16.69	308,300	3.26	558,334	5.89	1,599,087	16.88	(243,210)	1,355,877

* Gross of discounts and allowances

APPENDIX III

ANALYSIS OF GAS SALES

No. of Active Customers (Mar-31)		2003/04	2002/03	2001/02	2000/01	1999/00	1998/99	1997/98	1996/97	1995/96	1994/95
Residential	13,980	13,101	12,896	12,511	12,025	11,477	10,693	10,471	10,408	10,414	
Commercial	570	570	565	556	536	511	482	488	480	470	
Special Rate	2	2	2	2	2	2	3	3	3	3	
	14,552	13,673	13,463	13,069	12,563	11,990	11,178	10,962	10,891	10,887	
Sales	M3	M3	M3	M3	M3	M3	M3	M3	M3	M3	
Residential	2,189,680	2,269,900	2,303,739	2,261,508	2,224,299	2,123,866	2,076,957	2,129,238	2,195,530	2,251,012	
Commercial	4,947,588	5,194,163	5,339,009	5,149,507	4,768,903	4,373,442	4,105,184	3,959,674	3,820,496	3,565,158	
Special Rate	1,043,602	2,768,284	4,110,085	8,637,037	9,869,670	12,786,585	6,500,345	5,972,174	9,211,465	8,665,604	
	8,180,870	10,232,347	11,752,833	16,048,052	16,862,872	19,283,893	12,682,486	12,061,086	15,227,491	14,481,774	
Value of Gas Sold	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Residential	3,237,916	3,140,464	2,967,438	2,913,925	2,866,149	2,736,521	2,677,738	2,745,677	2,830,866	2,902,077	
Commercial	5,970,275	6,266,581	6,418,861	6,195,047	5,759,886	5,272,994	4,938,280	4,780,017	4,609,476	4,310,871	
Special Rate	400,990	1,021,168	1,261,029	3,180,125	2,802,400	2,824,632	1,554,356	1,535,850	2,145,401	1,791,451	
	9,609,181	10,428,213	10,647,328	12,289,097	11,428,435	10,834,147	9,170,374	9,061,544	9,585,743	9,004,399	
Total Gross Revenue From Gas Sales	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Residential	3,723,310	3,608,172	3,426,219	3,355,555	3,291,318	3,134,779	3,057,676	3,121,479	3,205,395	3,275,001	
Commercial	6,072,029	6,368,734	6,519,121	6,292,895	5,854,374	5,361,584	5,025,148	4,867,272	4,695,276	4,394,631	
Special Rate	401,350	1,021,528	1,261,389	3,180,485	2,802,760	2,825,022	1,554,896	1,536,390	2,145,941	1,791,992	
	10,196,689	10,998,434	11,206,729	12,828,935	11,948,452	11,321,385	9,637,720	9,525,141	10,046,612	9,461,624	
Rates Realised Per Cubic Metre	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Residential	1.48	1.38	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.29	
Commercial	1.21	1.21	1.20	1.20	1.21	1.21	1.20	1.21	1.21	1.21	
Special Rate	0.38	0.37	0.31	0.37	0.28	0.22	0.24	0.26	0.23	0.21	

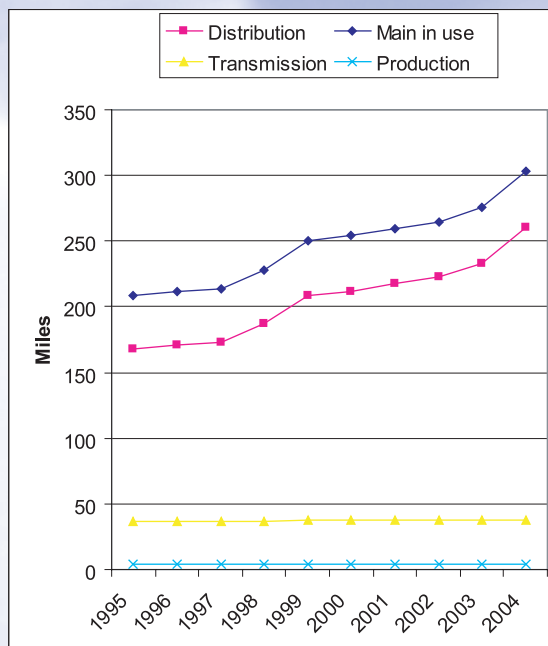
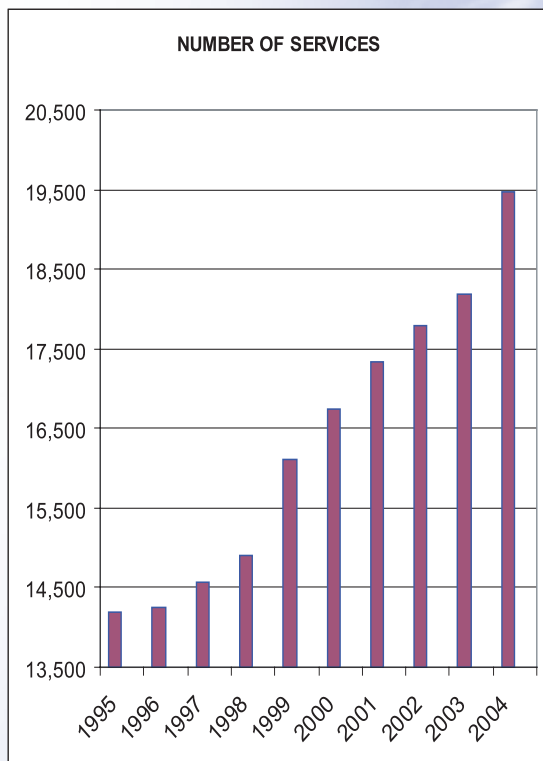
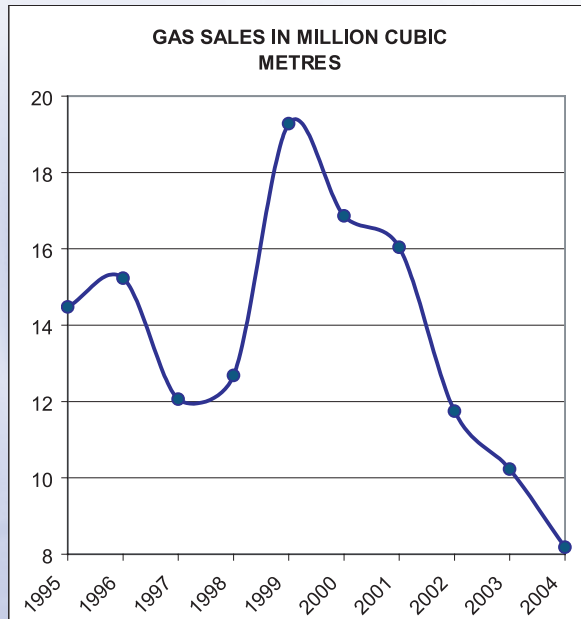
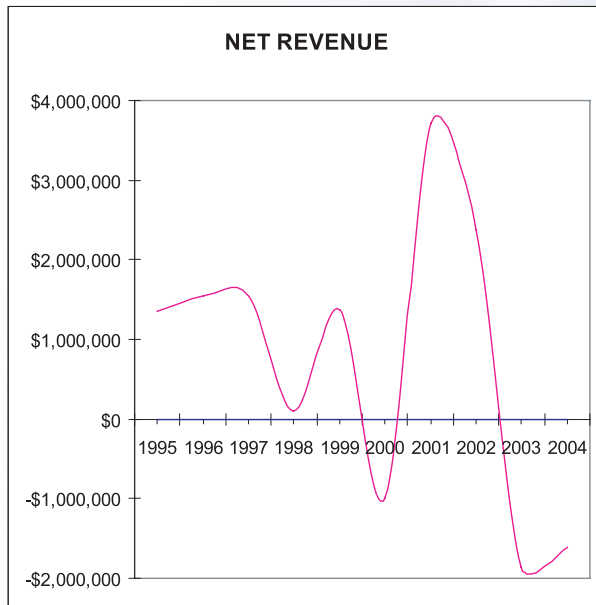
APPENDIX IV

SUMMARY OF OPERATIONS FOR PERIOD 1994/95 TO 2003/04

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	Laid	At Year End*	Connections During Year	M3	\$ Value			
At 31st Mar.									\$
2004	302.74	27.45	19,468	1,280	8,180,870	9,609,180	10,510,741	191,231	(1,620,381)
2003	275.29	10.41	18,188	405	10,232,346	10,428,213	11,286,582	181,850	(1,865,816)
2002	264.88	5.04	17,783	454	11,752,833	10,647,328	11,392,624	(1,250,677)	2,377,417
2001	259.84	5.72	17,329	593	16,048,052	12,828,934	13,240,095	(38,383)	3,716,364
2000	254.12	3.80	16,736	617	16,862,872	11,948,452	12,079,219	472,803	(997,526)
1999	250.32	22.40	16,119	1,208	19,283,893	11,321,385	12,057,060	(356,658)	1,376,950
1998	227.92	13.75	14,911	351	12,682,486	9,637,720	9,851,970	14,508	92,348
1997	214.17	2.67	14,560	201	12,061,086	9,525,141	9,700,667	380,871	1,539,380
1996	211.50	3.04	14,259	165	15,227,491	10,046,612	10,047,296	480,507	1,551,219
1995	208.50	0.13	14,194	187	14,481,824	9,461,624	9,475,997	558,334	1,355,877

* Services disconnected are not accounted for

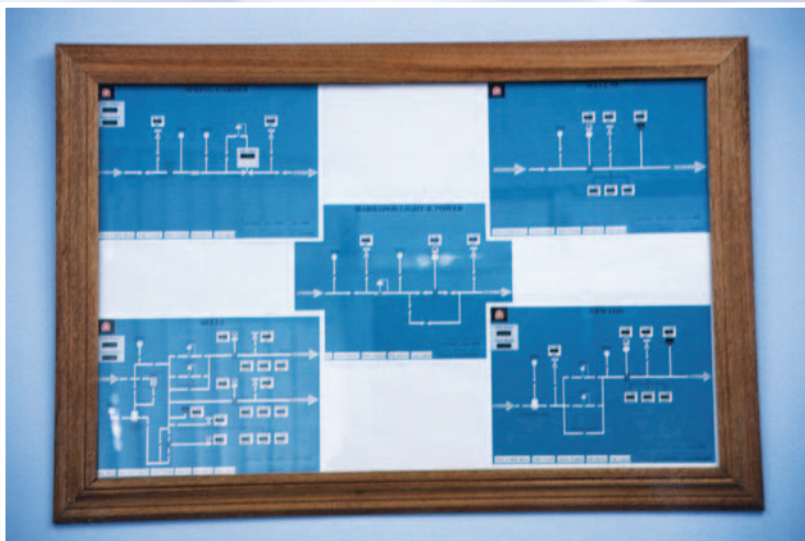
** Gross of discounts and allowances





Mr. Michael Dookie – CEO of Toucan Technologies (vendors of the SCADA system), Dr. William Duguid – Chairman and Mr. Ken Linton – Acting General Manager at the official commissioning of the SCADA System.

Attendees at presentation of certificates in Pipe Fusion.



Schematic drawing of NPC's five Remote Sites – LPG Plant at Woodbourne, Belle Station, Newton Station, Spring Garden Station and BL&P Spring Garden – as monitored by the SCADA System.

February 7, 2005

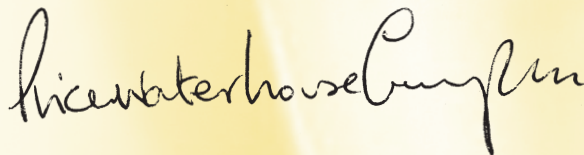
Auditors' Report

To the Government of Barbados

We have audited the accompanying balance sheet of the **National Petroleum Corporation** as of March 31, 2004 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as of March 31, 2004 and the results of its operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

Antigua	Charles W. A. Walwyn	Robert J. Wilkinson				
Barbados	J. Andrew Marryshow	Philip St. E. Atkinson	R. Michael Bynoe	Ashley R. Clarke	Gloria R. Eduardo	Wayne I. Fields
	Maurice A. Franklin	Marcus A. Hatch	Stephen A. Jardine	Lindell E. Nurse	Brian D. Robinson	
	Christopher S. Sambrano	R. Charles D. Tibbits	Ann M. Wallace-Elcock	Michelle J. White-Ying		
Grenada	Philip St. E. Atkinson (resident in Barbados)					
St. Lucia	Anthony D. Atkinson	Richard N. C. Peterkin				

National Petroleum Corporation

Balance Sheet

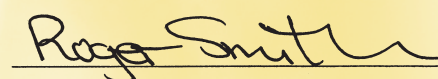
As of March 31, 2004

(expressed in Barbados dollars)

	2004 \$	2003 \$
Assets		
Current assets		
Cash on hand and at bank	724,039	1,485,052
Accounts receivable	1,904,776	2,255,246
Inventories	2,286,623	2,308,063
Prepaid expenses	177,730	28,127
Corporation tax recoverable	11,724	14,065
	5,104,892	6,090,553
Property, plant and equipment (note 3)	32,258,643	26,212,612
Investment in associated company (note 4)	18,054,872	17,533,332
Investment in securities (note 5)	432,993	354,084
Deferred expenses (note 6)	201,787	323,906
Deferred past service pension costs	—	147,192
Deferred taxation	—	267,601
Total assets	56,053,187	50,929,280
Liabilities and Equity		
Current liabilities		
Bank overdraft (note 7)	31,716	—
Accounts payable and accrued liabilities (note 8)	1,701,931	1,478,540
Due to associated company (note 9)	442,967	278,694
Current portion of long-term liabilities (note 10)	652,885	—
Progress payments received (note 11)	1,259,138	1,155,440
	4,088,637	2,912,674
Long-term liability (note 10)	14,897,851	9,100,000
Deferred lease premium (note 12)	810,303	840,303
Deferred grant (note 13)	681,705	852,130
Deferred credit (note 14)	1,133,974	1,211,760
Pension plan liability (note 15)	4,983,675	4,934,990
	26,596,145	19,851,857
Equity		
Capital contributed by Government of Barbados (note 16)	10,407,157	10,407,157
Capital reserve (note 17)	3,482,749	3,482,749
Retained earnings	15,567,136	17,187,517
	29,457,042	31,077,423
Total liabilities and equity	56,053,187	50,929,280

Approved by the Board of Directors on February 7, 2005


 Director


 Director

National Petroleum CorporationStatement of Changes in Equity
For the year ended March 31, 2004

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Capital reserve \$	Retained earnings \$	Total \$
Balance at March 31, 2002	10,407,157	3,482,749	19,053,333	32,943,239
Deficit for the year	—	—	(1,865,816)	(1,865,816)
Balance at March 31, 2003	10,407,157	3,482,749	17,187,517	31,077,423
Deficit for the year	—	—	(1,620,381)	(1,620,381)
Balance at March 31, 2004	10,407,157	3,482,749	15,567,136	29,457,042

National Petroleum Corporation**Statement of Income****For the year ended March 31, 2004**

(expressed in Barbados dollars)

	2004 \$	2003 \$
Sales		
Natural gas	9,970,268	10,781,591
Operating expenses		
Production, transmission and distribution (note 18)	4,636,100	4,528,338
General, administrative and commercial	5,108,757	4,905,797
Depreciation (note 3)	1,739,523	2,608,841
Interest and other loan expenses	900,681	625,762
	12,385,061	12,668,738
Net operating loss	(2,414,793)	(1,887,147)
Other income (note 19)	540,473	504,991
Deficit for the year before share of income/(deficit) of associated company	(1,874,320)	(1,382,156)
Share of income/(deficit) of associated company (note 4)	445,170	(665,510)
Deficit before taxation	(1,429,150)	(2,047,666)
Taxation (note 20)	(191,231)	181,850
Deficit for the year	(1,620,381)	(1,865,816)

National Petroleum Corporation

Statement of Cash Flows

For the year ended March 31, 2004

(expressed in Barbados dollars)

	2004 \$	2003 \$
Cash flows from operating activities		
Deficit before taxation	(1,429,150)	(2,047,666)
Adjustments for:		
Depreciation	1,739,523	2,608,841
Gain on disposal of equipment	—	(22,773)
Share of income/(deficit) of associated company	(445,170)	665,510
Unrealised gain on marketable securities	(78,909)	(13,132)
Amortisation of deferred expenses	122,119	266,179
Amortisation of deferred past service pension costs	147,192	147,192
Amortisation of lease premium	(30,000)	(30,000)
Amortisation of capital grant	(170,425)	(170,425)
Amortisation of deferred credit	(77,786)	(77,786)
Interest and other loan expenses	900,681	625,762
Interest and other income	(183,354)	(190,875)
Pension expense	794,437	972,479
Operating profit before working capital changes	1,289,158	2,733,306
Decrease in term deposits	—	241,409
Decrease in accounts receivable	350,470	139,154
Decrease/(increase) in inventories	21,440	(243,061)
Increase in prepaid expenses	(149,603)	(5,964)
Increase/(decrease) in accounts payable and accrued liabilities	223,391	(27,317)
Increase in progress payments received	103,698	—
Increase in amount due to associated company	164,273	82,713
Cash generated by operations	2,002,827	2,920,240
Interest and other loan expenses paid	(900,681)	(625,762)
Withholding tax received (paid)	2,341	(707)
Deferred expenses incurred	—	(80,000)
Pension contributions paid	(745,752)	(506,351)
Net cash from operating activities	358,735	1,707,420
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,785,554)	(2,426,106)
Proceeds on disposal of equipment	—	22,773
Interest and other income received	183,354	190,875
Net cash used in investing activities	(7,602,200)	(2,212,458)
Carried forward	(7,243,465)	(505,038)

National Petroleum CorporationStatement of Cash Flows ...*continued***For the year ended March 31, 2004**

(expressed in Barbados dollars)

	2004 \$	2003 \$
Brought forward	(7,243,465)	(505,038)
Cash flows from financing activities		
Proceeds from BNB loan	6,500,000	9,100,000
BNB loan repayments made	(49,264)	(7,895,776)
Net cash from financing activities	6,450,736	1,204,224
(Decrease)/increase in cash and cash equivalents	(792,729)	699,186
Cash and cash equivalents - beginning of year	1,485,052	785,866
Cash and cash equivalents - end of year	692,323	1,485,052
Cash and cash equivalents comprise:		
Cash on hand and at bank	724,039	1,485,052
Bank overdraft	(31,716)	—
	692,323	1,485,052

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(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

These financial statements are prepared in accordance with International Financial Reporting Standards. Significant accounting policies are as follows:

a) Basis of accounting

These financial statements are prepared in accordance with the historical cost convention except as modified by the revaluation of available-for-sale investments.

b) Estimates

Preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

c) Inventories

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

d) Investment in securities

The Corporation's investments are classified as available-for-sale. These are investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates.

The investments are initially recognised at cost. Investments are subsequently carried at fair value which is determined by reference to stock exchange bid prices where available. Investments not listed on an official exchange are carried at the directors' valuation of the investments. Unrealized gains and losses arising from changes in fair value of investments are included in the statement of income.

All purchases and sales of investments are recognised at the trade date, which is the date that the Corporation commits to purchase or sell the asset.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

e) Investment in associated company

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

f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Interest charged on loans obtained for capital expenditure projects is not capitalised.

Depreciation is calculated on the straight line basis so as to write off the cost of property, plant and equipment over their estimated useful lives as follows:

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

g) 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.

h) 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 income over the periods necessary to match them with the related costs which they are intended to compensate.

Payments received towards capital projects are recorded in progress payments received. On completion of the project, the costs are transferred to deferred credits. Deferred credits are amortised over the same period as the capital costs to which they relate.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

i) Deferred tax

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 current corporation tax rate. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the assets may be utilised.

j) Pension plan valuation

The Corporation operates a non-contributory defined benefit pension plan. (Note 15).

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

k) Foreign exchange

Assets and liabilities expressed in foreign currencies are translated into Barbados dollars at the rates of exchange ruling at the balance sheet date. Transactions arising during the year involving foreign currencies are translated into Barbados dollars and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates are included in the statement of income.

l) Cash and cash equivalents

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

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

3 Property, plant and equipment

	At beginning of year \$	Additions/ depreciation charge \$	Disposals \$	At end of year \$
Cost or valuation				
Land and buildings	5,011,552	83,967	—	5,095,519
Gas wells, pipelines, production and transmission equipment	7,608,037	514,376	—	8,122,413
Distribution plant and equipment	45,508,549	6,712,324	(11,235)	52,209,638
Moveable equipment and furniture	4,223,555	474,887	—	4,698,442
	<u>62,351,693</u>	<u>7,785,554</u>	<u>(11,235)</u>	<u>70,126,012</u>
Accumulated depreciation				
Land and buildings	3,044,806	153,855	—	3,198,661
Gas wells, pipelines, production and transmission equipment	6,587,640	214,199	—	6,801,839
Distribution plant and equipment	23,008,143	1,206,662	(11,235)	24,203,570
Moveable equipment and furniture	3,498,492	164,807	—	3,663,299
	<u>36,139,081</u>	<u>1,739,523</u>	<u>(11,235)</u>	<u>37,867,369</u>
Net book value	<u>26,212,612</u>			<u>32,258,643</u>

- Property, plant and equipment other than land at Wildey are stated at historical cost.
- 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 16).
- The assets of the Corporation are pledged as security for a debenture in favour of the Barbados National Bank, stamped to cover \$15.6 million. (See Note 10).

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

4 Investment in associated company

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

	2004 \$	2003 \$
Original cost of investment in BNOCL	7,706,500	7,706,500
Bonus shares issued through the capitalisation of grants (see Note 17)	2,352,000	2,352,000
	10,058,500	10,058,500
Increase in equity value over cost from acquisition to beginning of year	7,474,832	7,958,492
	17,533,332	18,016,992
Share of income/(deficit) of associated company for the year	445,170	(665,510)
Corporation tax (Note 20)	76,370	181,850
	521,540	(483,660)
Balance - end of year	18,054,872	17,533,332

5 Investment in securities

	2004 \$	2003 \$
Available-for-sale		
The investment in securities represents 236,607.97 shares in the Mutual Global Balances Fund at fair value	432,993	354,084

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

6 Deferred expenses

- a) Legal and commitment expenses of \$80,000 in respect of the \$15.6 million BNB loan have been deferred until full draw down of the loan. Amortisation will commence in 2005 and will span the fifteen year repayment period of the loan.

	2004 \$	2003 \$
Balance - beginning of year	80,000	144,060
Additions	—	80,000
Amortisation	—	(144,060)
Balance - end of year	80,000	80,000

- b) The Corporation provides internal/in-house services in relation to the laying of pipes for residential services. These costs are being amortised over five years.

	2004 \$	2003 \$
Balance - beginning of year	243,906	366,025
Amortisation	(122,119)	(122,119)
Balance - end of year	121,787	243,906
Total	201,787	323,906

7 Bank overdraft

The interest rate on the bank overdraft at year end was the prime floating rate which was 6.75% per annum. The bank overdraft is secured by a letter of comfort from the Government of Barbados for \$1 million.

8 Accounts payable and accrued liabilities

	2004 \$	2003 \$
Customers' deposits	1,116,449	1,029,109
Other accounts payable and accrued liabilities	585,482	449,431
	1,701,931	1,478,540

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

9 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. During the year, gas purchases from the associated company totalled \$2,102,708 (2003 - \$2,360,848).

10 Long-term liability

	2004 \$	2003 \$
BNB \$15.6M loan	15,550,736	9,100,000
Less instalments due within twelve months and shown under current liabilities	<u>652,885</u>	—
Long-term portion	<u>14,897,851</u>	<u>9,100,000</u>

The loan is repayable in monthly instalments of blended principal and interest of \$140,217 commencing March 31, 2004. Previously, interest was serviced monthly. The loan bears interest at the prime floating rate which at year end was 6.75% (2003 - 7%) per annum.

The BNB loan is secured by a first legal demand debenture over the Corporation's fixed and floating assets, assignment of the comprehensive insurance policy over those assets and a letter of comfort from the Government of Barbados for \$15.6 million.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

11 Progress payments received

	2004 \$	2003 \$
Balance - beginning of year	1,155,440	1,155,440
Additions	103,698	—
Balance - end of year	1,259,138	1,155,440

The details in relation to each project are as follows:

- a) During the year ended March 31, 1999, the Ministry of Public Works and Transport agreed to pay the Corporation \$910,860 to relocate gas mains, distribution lines and installations in connection with the Bridgetown Roads and Safety Improvement Project. An advance payment of \$726,958 is being carried forward by the Corporation to purchase equipment, plant, materials and labour and to cover mobilisation expenses required specifically for the execution of the agreement.
- b) During the year ended March 31, 2000, an advance payment of \$178,000 was received from Sagicor Life Inc., for extensions in relation to a new development at Fort George Heights.
- c) 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.
- d) During the year ended March 31, 2002, an advance payment of \$194,522 was received from the Barbados Tourism Investment Inc. to relocate gas mains and installations from St. Lawrence Gap to Dover playing field.
- e) During the year ended March 31, 2003, \$103,698 was received from the Eastern Land Development in respect of work to be done at Six Roads, St. Philip.

12 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.

	2004 \$	2003 \$
Balance - beginning of year	840,303	870,303
Amortisation (Note 19)	30,000	30,000
Balance - end of year	810,303	840,303

National Petroleum Corporation

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March 31, 2004

(expressed in Barbados dollars)

13 Deferred grant

The Corporation received assistance during the year ended March 31, 1988 from the Canadian International Development Agency (CIDA) in the supply and construction of an 11.2 km (7.0 mile), 168 mm (6 inch) replacement pipeline to transmit natural gas from the Woodbourne oil field to the Belle regulator and metering station, and a 4.5 km (3.0 mile), 114 mm (4 inch) replacement distribution line between the Belle and Lears. In addition, CIDA has provided comprehensive training and technical assistance and certain monitoring and evaluation services to the Corporation. This assistance was received as part of an agreement between the Governments of Canada and Barbados to participate in a project referred to as the Barbados Natural Gas Pipeline Project. The total value of the assistance provided to this Corporation by the Government of Canada under the agreement amounted to \$3.5 million. This grant is being amortised over the expected useful life of the related assets.

	2004 \$	2003 \$
Balance - beginning of year	852,130	1,022,555
Amortisation	(170,425)	(170,425)
Balance - end of year	681,705	852,130

14 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.

	2004 \$	2003 \$
Balance - beginning of year	1,211,760	1,289,546
Amortisation	(77,786)	(77,786)
Balance - end of year	1,133,974	1,211,760

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

15 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 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, 2003 and an interim valuation was performed as of March 31, 2004. The actuary recommended a funding rate of 31.24% of the salaries and wages of those under the plan. (11.30% to cover current service costs and 19.94% to cover the pension deficit).

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

	2004 \$	2003 \$
Present value of funded obligations	10,704,406	9,691,662
Fair value of plan assets	(4,428,970)	(3,905,590)
	<u>6,275,436</u>	<u>5,786,072</u>
Unrecognised actuarial losses	(1,291,761)	(851,082)
Pension plan liability	<u>4,983,675</u>	<u>4,934,990</u>

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

	2004 \$	2003 \$
Current service cost	290,707	305,622
Interest cost	577,817	569,603
Expected return on plan assets	(244,303)	(214,090)
Net actuarial loss recognised in the year	<u>170,216</u>	<u>311,344</u>
	<u>794,437</u>	<u>972,479</u>
Actual return on plan assets	<u>191,139</u>	<u>181,680</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

15 Pension plan ...continued

The movement in the pension plan liability is as follows:

	2004 \$	2003 \$
Balance at beginning of year	4,934,990	4,468,862
Pension expense for the year (Note 22)	794,437	972,479
Contributions paid	(745,752)	(506,351)
Pension plan liability	4,983,675	4,934,990

Principal actuarial assumptions used for accounting purposes were:

	2004	2003
Discount rate	6%	6%
Expected return on plan assets during the year	6%	6%
Future salary increases	4%	4%
Future pension increases	0%	0%
Proportion of employees opting for early retirement	10%	10%
Future changes in National Insurance ceiling (0% for the first 3 years)	3%	3%

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

16 Capital contributed by Government of Barbados

	2004	2003
	\$	\$
Capitalised loans		
(i) 5.6% loan	700,000	700,000
(ii) 7.2% loan	250,000	250,000
	950,000	950,000
Capitalised accrued interest on loans		
(i) 5.6% loan	803,600	803,600
(ii) 7.2% loan	530,202	530,202
	1,333,802	1,333,802
Capitalisation of land granted to the Corporation (Note 3(b))	218,000	218,000
Additional capital contributed by Government during 1982/83	20,000	20,000
Loan principal and interest paid by Government	28,656,355	28,656,355
Less consideration for shares issued in Barbados National Oil Company Limited to Government	20,771,000	20,771,000
	7,885,355	7,885,355
	10,407,157	10,407,157

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

17 Capital reserve

The capital reserve has arisen as follows:

	2004 \$	2003 \$
i) On acquisition of assets, liabilities and capital of the Natural Gas Corporation	1,130,749	1,130,749
ii) On bonus issue from Barbados National Oil Company Limited to the Corporation (See Note 4)	2,352,000	2,352,000
	<u>3,482,749</u>	<u>3,482,749</u>

- i) On April 1, 1982, the Corporation acquired all of the assets, liabilities and capital of the Natural Gas Corporation at the values reflected in the Natural Gas Corporation's financial statements at March 31, 1982.

In summary these were as follows:

	2004 \$	2003 \$
Assets	11,962,984	11,962,984
Liabilities	(8,900,033)	(8,900,033)
Capital	<u>(1,932,202)</u>	<u>(1,932,202)</u>
Balance treated as a capital reserve	<u>1,130,749</u>	<u>1,130,749</u>

- ii) The capital reserve of \$2,352,000 arose in 1985 on the issue of bonus shares by Barbados National Oil Company Limited to the Corporation through the capitalisation of grants.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

18 Production, transmission and distribution costs

	2004 \$	2003 \$
Production	2,146,365	2,339,535
Transmission	225,937	238,664
Distribution	2,642,472	2,267,688
	<u>5,014,774</u>	<u>4,845,887</u>
Less:		
Reimbursements through jobbing	(81,900)	(159,161)
Installation and re-connection fees	(165,612)	(91,096)
In house services	(131,162)	(67,292)
	<u>4,636,100</u>	<u>4,528,338</u>

19 Other income

	2004 \$	2003 \$
Interest	24,067	16,016
Rental income	146,400	146,400
Miscellaneous income	12,886	28,459
Gain on disposal of equipment	—	22,773
	<u>183,353</u>	<u>213,648</u>
Unrealised gain on investment in securities	78,909	13,132
	<u>262,262</u>	<u>226,780</u>
Amortisation of lease premium (Note 12)	30,000	30,000
Amortisation of deferred grant (Note 13)	170,425	170,425
Amortisation of deferred credit (Note 14)	77,786	77,786
	<u>540,473</u>	<u>504,991</u>

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

20 Taxation

	2004 \$	2003 \$
Deferred tax charge	267,601	—
Associated company (Note 4)	(76,370)	(181,850)
	<u>191,231</u>	<u>(181,850)</u>

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

	2004 \$	2003 \$
Deficit before taxation	<u>(1,429,150)</u>	<u>(2,047,666)</u>
Tax calculated at 33% (2003 - 36%)	(471,620)	(737,160)
Tax effect of the following:		
Expenses not deductible for tax purposes	50,772	60,618
Income not subject to tax	(26,040)	—
Investment allowance claimed	(508,305)	(173,429)
Commercial building allowance claimed	(40,260)	(43,200)
Increase in deferred tax asset not recognised	1,070,818	642,883
Reversal of deferred tax asset previously recognised	267,601	—
Effect of the reduction in tax rate on opening deferred tax asset	75,874	10,704
Effective tax rate in associated company	(223,276)	59,896
Over-provision of deferred tax in prior year	(4,333)	(2,162)
	<u>191,231</u>	<u>(181,850)</u>

The deferred tax asset recorded in the financial statements at March 31, 2003 has been reversed due to the uncertainty that taxable profits will be available against which the deferred tax asset can be utilised.

National Petroleum Corporation

Notes to Financial Statements

March 31, 2004

(expressed in Barbados dollars)

20 Taxation ...continued

The deferred tax asset consists of the following components:

	2004 \$	2003 \$
Accelerated tax depreciation	(6,675,062)	(5,627,613)
Taxed provisions	798,726	779,948
Unutilised tax losses	6,896,606	2,342,269
Pension plan liability	4,983,675	4,934,990
Deferred past service pension costs	—	99,528
	6,003,945	2,529,122
Deferred tax asset at corporation tax rate of 33% (2003 - 36%)	1,981,302	910,484
Deferred tax asset not recognised	(1,981,302)	(642,883)
	—	267,601

The expiry dates of the tax losses are disclosed in Note 21. The other temporary differences have no expiry dates.

21 Tax losses

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

Year	Balance b/f \$	Adjustment \$	Incurred during the year \$	Balance c/f \$	Expiry date
1999	383,002	—	—	383,002	2008
2000	771,829	—	—	771,829	2009
2002	340,723	—	—	340,723	2011
2003	846,715	13,233	—	859,948	2012
2004	—	—	4,541,104	4,541,104	2013
	2,342,269	13,233	4,541,104	6,896,606	

The above tax losses are as computed by the Corporation in its corporation 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, 2004

(expressed in Barbados dollars)

22 Staff costs

Staff costs comprise the following:

	2004 \$	2003 \$
Salaries, wages and National Insurance	4,148,886	3,646,139
Pension expense (Note 15)	794,437	972,479
Group life and health insurance	167,703	151,835
	<u>5,111,026</u>	<u>4,770,453</u>
The number of persons employed at year end was as follows	<u>145</u>	<u>138</u>

23 Capital commitments

At the balance sheet date, the Board of Directors had approved the capital expenditure budget for 2004/05 of \$2,779,278. None of this expenditure had been contracted for at that date.

24 Financial instruments

Financial assets of the Corporation include cash, accounts receivable and investment. Financial liabilities of the Corporation included bank overdraft, accounts payable, progress payments received, amount due to associated company and long-term liability.

Interest rate risk

The interest rates on the bank overdraft and long term liability are disclosed in Notes 7 and 10.

Credit risk

Cash is placed with local and international banks with good standing.

Credit risk on accounts receivable is limited as accounts receivable are shown net of provision for doubtful receivables.

Fair value

The fair values of financial assets and liabilities are not materially different from their carrying amounts.

25 Comparatives

Certain of the 2003 figures have been reclassified to comply with changes in presentation in the current year.





