Annual Report 2013

Barbados National Oil Company Limited

Years of Operations

1983 - 2013

Special Edition

BNOCL 30 years

Special Edition

1983 ~ 2013

CONTENTS

Above and below, two of the holding tanks for crude oil.
Crude oil produced is stored in Tank 17 (above) at Woodbourne
and transferred via pipeline to Tank 12 (below) at the terminal facility (BNTCL).
At the terminal the crude oil is processed (de-watered) then shipped to the Petrotrin Refinery in Trinidad to be refined.

Audited Consolidated Financial Statements

Audited Non-Consolidated Financial Statements – Subsidiary Companies

Registered Office

Woodbourne, St. Philip
Barbados

Shareholders

Government of Barbados – 75.48%
National Petroleum Corporation – 24.52%

Banker

Republic Bank Barbados Limited

Corporate Secretary

Mr. Winton Gibbs

Auditor

PricewaterhouseCoopers SRL

Attorneys-at-Law

Mr. Roger C. Forde, QC
Mr. Aidan Rogers
Charles Russell LLP

Board of Directors

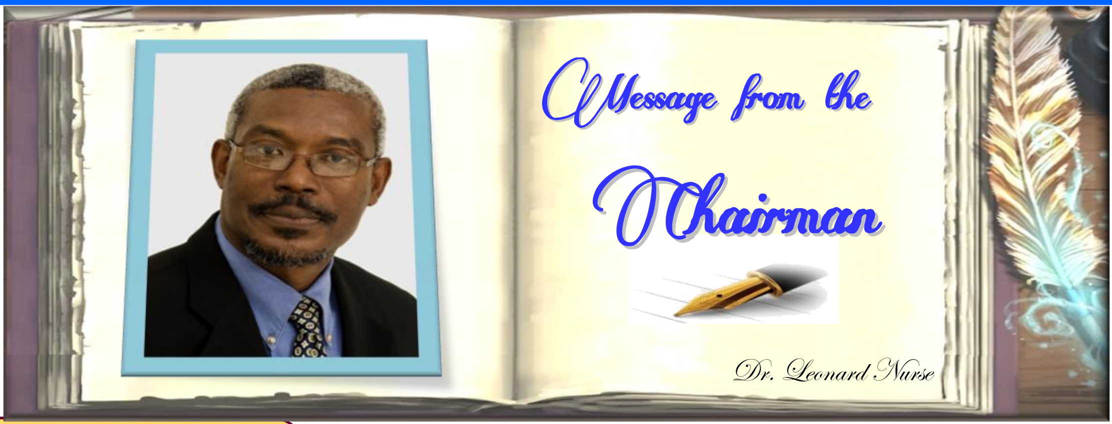
Barbados National Oil Company Limited (BNOCL)

Dr. Leonard Nurse, Chairman
Mr. Tennyson Beckles, Deputy Chairman
Mr. Leslie Barker
Ms. Valerie Browne
Mr. Wayne Forde
Mr. Ronald Hewitt
Ms. Jean Hill
Ms. Monica Hinds
Mr. Everton Lashley
Mr. Hayden Workman

Barbados National Terminal Company Limited (BNTCL)

Dr. Leonard Nurse, Chairman
Mr. Tennyson Beckles, Deputy Chairman
Mr. Leslie Barker
Ms. Valerie Browne
Mr. Wayne Forde
Mr. Douglas Greenidge
Mr. Dave Waithe
Mr. Hayden Workman

Members of the Board of BNOCL are also Ex-Officio Directors of
Barbados National Oilfield Services Limited (BNOSL)
and
Barbados National Oil Holding Company Limited (BNOHCL)



> *"A good player demonstrates a real passion to win, even when times are tough on the economic front."*

For the past 30 years, the Barbados National Oil Company Limited (BNOCL) did just that, growing inspite of weak economies, emerging markets and competition, global recessions and volatile crude oil prices. These challenges also included a period of ultra-low world oil prices, which necessitated the revision of its strategic plans and the upgrading of its operational facilities and equipment.

The year 2013 marked a very significant milestone for **BNOCL** which has successfully dismissed the purported 10-year life span to aptly engrave this remarkable achievement in history. This accomplishment was by no means an easy task as the Company encountered many challenges over the years. However, through effective strategic measures, excellent management and a highly competent and dedicated staff, the Company has been able to maintain an uninterrupted and competitive supply of petroleum products to the consumers of Barbados.

It is indeed a notable achievement that the Company has recorded a total production in excess 13 million barrels of crude oil and 30 billion cubic feet of natural gas within a relatively small acreage of 16.4 acres, from operations under a Mineral Lease Agreement with the Government of Barbados. These results were achieved despite the known complex geological and engineering conditions, which exist in the Woodbourne oilfield. This is indeed a commendable achievement when this ratio is compared to the acreage in other regional and international territories. The Company has also produced 274,000 barrels of Liquid Petroleum Gas before the production of LPG was discontinued in 2002.

Also noteworthy is the fact that, despite the challenges noted, the Company has been very successful in maintaining an uninterrupted supply of natural gas to the National Petroleum Corporation (NPC), which has over 21,000 customers. Many of these, including the Queen Elizabeth Hospital and related health care facilities, provide critical essential services to the people of Barbados.

Establishment of BNOCL

BNOCL came into operation in June of 1982 when the Barbados Government purchased production facilities at Woodbourne, St. Philip from the former Mobil Explorations Inc. In the early 1970s prior to this acquisition, General Crude Oil Company (GCO) had drilled 15 exploratory wells throughout the island, including Woodbourne No.1, which marked the beginning of sustained drilling and production operations in the Woodbourne field. In 1979, Mobil Explorations Inc. acquired the assets of GCO and continued to drill in Woodbourne, but ceased operations in 1982.

BNOCL's principal focus is on upstream operations, which involves the efficient and economic identification and production of the hydrocarbon potential onshore Barbados, while minimising any negative impact on the environment. Additionally, the company utilises the value chain of its product to assist in the provision of petroleum-based energy at competitive prices.

Joint Venture Partnerships

In the early years of its existence from 1982 to 1996, the Company benefitted tremendously from the technical and financial assistance provided by Petro-Canada and Petroleum of Venezuela (PDVSA), which undertook a major drilling programme comprising 92 wells in the Woodbourne, Hampton and Lower Greys areas. This arrangement also saw the completion of exploration wells in the Scotland District, Fisher Pond, Foursquare and Coverley. By 1993, the Company had drilled another 58 developmental wells in the Edgecumbe, Lower Greys and Boarded Hall areas, and exploration wells at Bushy Park, Carmichael, Stepney, Byde Mill, Frenches, Fisher Pond and Lowthers.

This successful partnership allowed the Company to increase its production from approximately 630 barrels of oil a day to approximately 1,700 barrels of oil per day (BOPD), with a corresponding increase in natural gas to approximately 1,200 MCF per day. However, while the production of natural gas remained relatively constant over a period, the Company recorded a gradual decline in the production of crude oil, which fell to approximately 1,100 BOPD in 1989.

From 1996 to 2002, the Company successfully negotiated a Product Sharing Contract (PSC) with Waggoner Barbados Limited (WBL) in an effort to increase production and acquire advanced technological techniques for sustaining production levels. This partnership was successful at increasing production to over 2,000 barrels of oil per day with a corresponding increase in natural gas production, which peaked at approximately 1,600 MCF before the contract ended. Sustaining production levels proved to be a challenge but the Company continued to carry out very comprehensive programmes to explore and develop the oilfields at Woodbourne, which resulted in a total of 220 wells being drilled to date in the areas aforementioned. To date, daily production averaged 727 barrels of crude oil and approximately 2,249 million cubic feet of natural gas.

Incorporation of Terminal Facility

In 1998, following the closure of the Mobil Refinery, the Company incorporated the Barbados National Terminal Company Limited (**BNTCL**) to manage the storage and distribution of gasoline, diesel and heavy fuel oil, as well as the distribution of kerosene. Additionally, in order to mitigate the potential problem with respect to the disposal of its crude oil the Company successfully negotiated a Processing Agreement with Petrotrin in Trinidad and secured a Joint Agreement with Esso Standard Oil S.A. for the storage of its fuel oil at the Holborn facility. This model agreement is clear evidence that public and private sector entities could collaborate successfully for the benefit of the country.

Woodbourne Oilfied

Over the years, the Company, in conjunction with various international industry experts have conducted several analyses on the Woodbourne field, given its known complex and engineering geological conditions. The results of this research have been used to guide the introduction of a number of enhanced recovery initiatives and technological techniques to increase production and recover the reserves, which currently total 2.8 million barrels of crude oil and 5.2 billion cubic feet of natural gas. The Company remains hopeful that it can identify another potential oilfied similar to Woodbourne, which could significantly increase the country's production and reserves.

Impact of the Global Financial Crisis

It is known that the year 2007 saw oil prices soar to their highest level in history. This volatility was characterised by sharp increases in the price of crude oil, immediately followed by equally sharp declines. Weak oil demand caused by the recession was the major factor causing the collapse in oil prices. At that time the daily oil price, which had peaked at US$147 per barrel in July 2008, declined drastically to below US$65 by the end of that year. These factors, in addition to environmental and economic crises affected the majority of businesses and industries across the world. **BNOCL** was not left unscathed by these global crises, and suffered substantial financial losses during the ensuing period. The recovery from this crisis has been slow but gradual through various Governmental and Company interventions to mitigate the impact and recover the losses.

Looking Ahead

The global energy picture is now being framed by significant changes in energy demand and supply, particularly with the increasing development of the renewable energy sector. This is particularly evident by the decreasing volume of products handled by our subsidiary **BNTCL** for the year under review, and the developing plans for the introduction of photovoltaic systems and other renewable energy and energy-effieicent initiatives.

As a Board, we are very conscious of the way in which these economic, social, political and environmental factors could affect the Group of Companies. Thus, we consistently monitor, analyse and seek to mitigate these challenges through the application of mature and robust strategies, sound governance and the implementation of risk management frameworks. We are pleased to report that the Board, management and staff at all levels have seized the opportunities presented by the many foregoing crises to refocus and re-design our operational plans, to ensure that the Company could embark on a process of recovery from its deficit position.

In its continuous efforts to enhance operations, the Company intends to play a significant role in the development of renewable energy, and has commenced the development of strategic plans to advance this initiative. Plans are also in progress to develop initiatives aimed at expanding the downstream sector by seeking joint venture partnerships aimed at increasing its oil and gas reserves, while reducing the level of foreign currency expended. Additionally, the Company continues to work closely with the Division of Energy towards the development of the offshore exploration initiative, the importation of natural gas to supplement local supply, and the continous search for energy efficient fuels.

In the coming year,, the Group would remain focus on maximising the production of oil and gas through the intensification of its capital works programme, the advancement of the renewable energy initiatives and the development of other diversification initiatives. The Board has approved the construction of a corporate office building and plans are in progress towards the execution of this much-needed facility.

Energy remains the engine of progress and the Group is aware of the vibrant strides being made in the photovoltaic industry. Although the country is working towards the reduction in the use of fossil fuel, we are cognisant that the world will continue to be dependent of fossil fuels in the medium term. Therefore, along with providing the suite of petroleum products the country needs, we will continue to focus on the implementation of the related energy development programmes that form the core of the Group's Strategic Plan.

Conclusion

Finally, I have always held the view that the most important investment that a company makes is the one that it makes in its staff. On behalf of the Board, I therefore wish to extend sincerest thanks and appreciation to the employees of the Group of Companies for their dedication, support and commitment, which have been critical to the ongoing success of the Company. I also wish to thank the senior management team for their tenacity, commitment, support and loyalty during the past years. Special thanks to Mr. Ronald Hewitt, former General Manager, for his visionary leadership and unswerving commitment for 26 of the 30 years of the Company's operations, and to Mr. Winton Gibbs, the current General Manager, for his equally dedicated loyalty and leadership.

I especially would like to highlight the fact that, for the past thirty years, the Group has been fortunate to be served by a highly professional complement of Directors, who have provided outstanding service and support towards its growth. I extend my deepest gratitude for your continuing support and unswerving commitment.

On behalf of the Board of Directors, I express our deepest appreciation to the Shareholders, the Government of Barbados and the National Petroleum Corporation, our associated company, Asphalt Processors Inc., stakeholders, service providers and customers for their continued support.

We reconfirm our commitment to ensuring that the **BNOCL** Group of Companies remains on a sustainable path, to develop profitable alternative projects and to continue, wherever possible, to maintain a competitive supply of petroleum products to the consumers of Barbados. It is evident that the energy sector will continue to face its share of challenges in the coming years, but the Board remains focused on ensuring that the **BNOCL** Group realises its objective of becoming a fully integrated energy company in Barbados.

Dr. Leonard Nurse
Chairman
BNOCL Group of Companies

BNOCL 30 years Special Edition 1983 ~ 2013

The Barbados National Oil Company Limited (BNOCL) was incorporated in February 1983 following the cessation of onshore exploration and production operations in Barbados by Mobil Explorations Inc.

The company's primary objective and core business is the economic exploration and production of the country's hydrocarbon potential onshore Barbados. Its secondary but equally important objective is to ensure that on a sustainable, efficient and reliable basis, energy products are supplied to the country at the most competitive prices.

BNOCL is also pursuing the diversification of the energy mix in the country, particularly as it relates to fuels for vehicular transportation and for commercial and industrial purposes. The objective of this policy direction is to seek to reduce the country's dependence on imported fossil fuel, thereby reducing the demand for foreign exchange, while contributing to the protection of the environment.

Operations in the upstream sector are all onshore and are conducted under a Mineral Lease Agreement with the Government. This Lease authorises the company to carry out exploration and production activities in an area of 16,438 acres (6,652.2 hectares) in the parishes of St. Philip, St. George, St. Thomas and St. Andrew as shown in *Figure 1.*

Over the course of the thirty years of the company's existence, an average of 1,200 barrels of oil per day and 2,800 million cubic feet of natural gas per day have been produced. This represented approximately 20% of the country's demand. The graph at *chart 1* shows the annual production of crude oil and natural gas from the inception in March 1983 to 31st March, 2013.

Figure 1
Map of Barbados showing the location of the four areas making up the Mineral Lease.

Production for the year under review continues to come from the Woodbourne area which is made up of a number of distinct geological providences, including Central and West Woodbourne, Lower Greys, Hampton and Edgecumbe.

The company continued to employ various enhanced recovery techniques on low-producing wells in an effort to increase the rate of recovery.

Locally produced crude oil is stored at the terminal at Fairy Valley for shipment to Trinidad where it is refined by Petrotrin at their Point-a-Pierre refinery under a Processing Agreement.

The value of the refined products processed from BNOCL's crude oil at Petrotrin, is used to purchase heavy fuel oil which is re-imported for use mainly as fuel for power generation.

The BNOCL Group comprises three (3) wholly owned subsidiary companies and a Marketing Division.

Barbados National Oilfield Services Limited (BNOSL) was incorporated in 1998 to provide the services of Operator under a Production Sharing Contract (PSC). On the conclusion of that PSC in 2004, BNOS was retained to execute the exploration and production activities on behalf of the parent company.

Barbados National Terminal Company Limited. (BNTCL) was incorporated in 1998 following the closure of the Mobil refinery. Its purpose is to manage the storage and distribution of gasoline, diesel and fuel oil, as well as the storage and exportation of crude oil on behalf of the Group. BNTCL also stores aviation (jet) fuel and kerosene on behalf of the major oil companies. The company, which commenced operations at the temporary Needham's Point Facility in St. Michael, presently operates from its state-of-the-art terminal at Fairy Valley, Christ Church which was constructed in 2004. Heavy fuel oil is handled at the Esso Terminal at Holborn, St. Michael under a long term Lease Agreement with Esso Standard Oil S.A. The decision to use the Holborn terminal for fuel oil was partially influenced by its proximity to the BL&P power generating plant at Spring Garden which consumes approximately 95% of imported heavy fuel oil.

Barbados National Oil Holding Company Limited (BNOHCL) manages certain real estate assets owned by the Group.

The **Marketing Division** of BNOCL sources, imports and sells gasoline and diesel to the major oil companies and heavy fuel oil to the Barbados Light and Power Company Limited and other commercial entities.

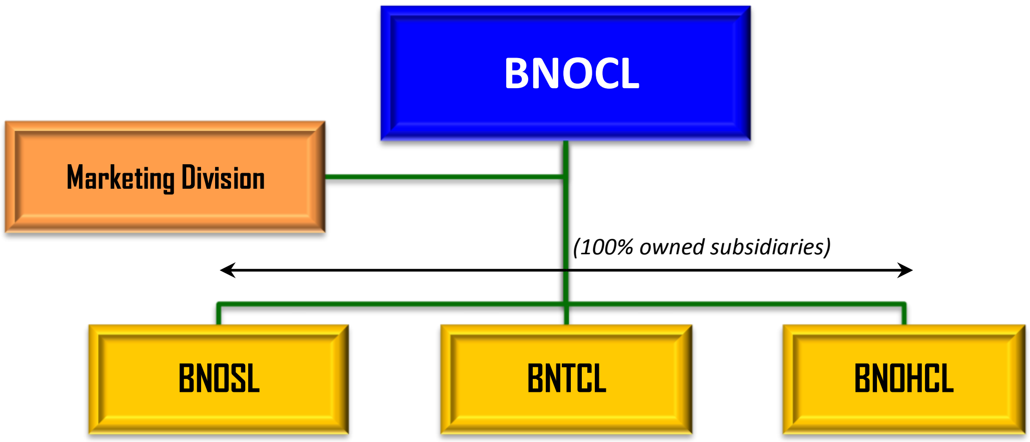


Chart 1

Annual Production of Crude Oil and Natural Gas

The figures represent production from inception in 1983 to end of current financial year to March 2013.
The production for the year 1983 does not represent a full year's production
as the company commenced operations during the course of that year.

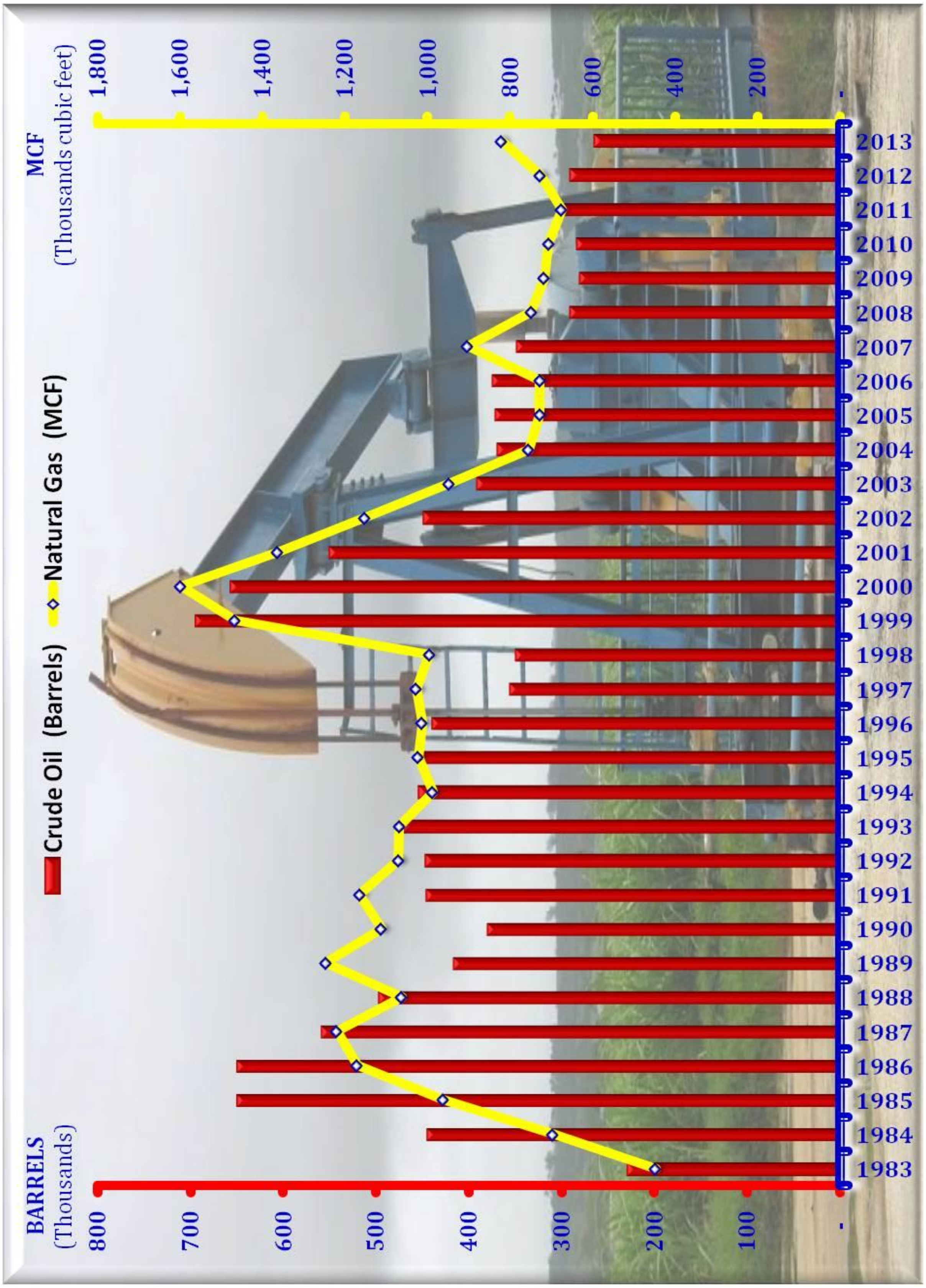


Chart 2

Crude Oil Reserves and Crude Oil Production

For the financial years 2002 to March 2013

The Company secured operating agreements with Petro-Canada and PDVSA between 1983 and 1993 and a Joint Venture Partnership with Waggoner (Barbados) Ltd. between 1996 and 2002.

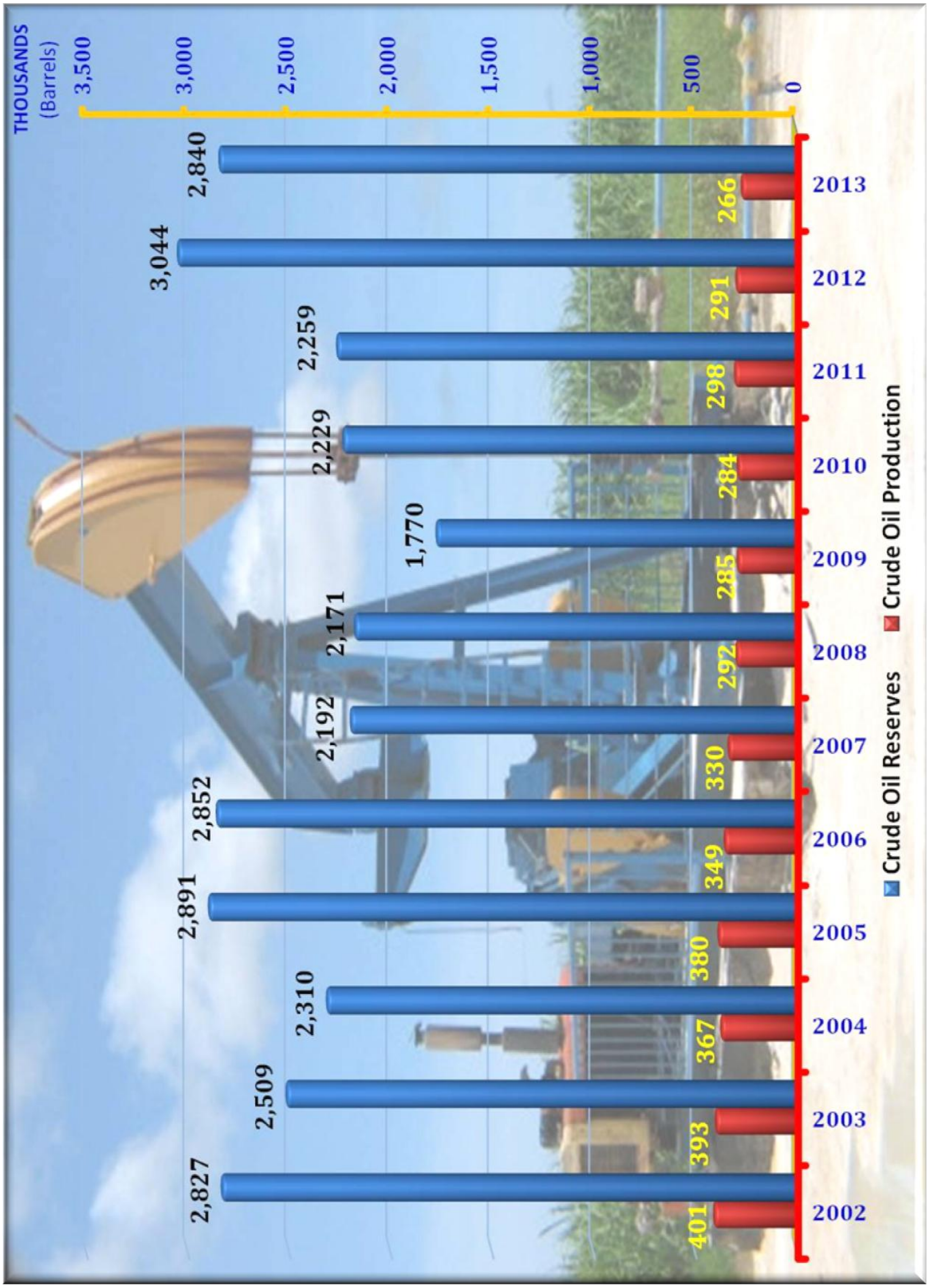


Chart 3

Crude Oil Production

Barrels per day (BPD)

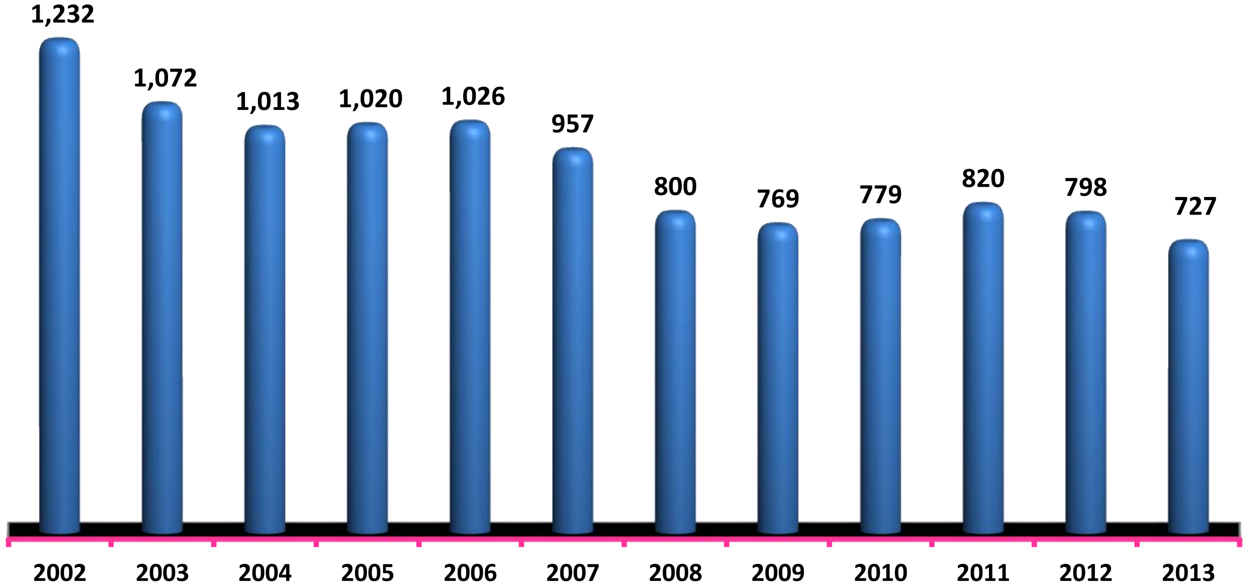


Chart 4

Crude Oil Reserves

Barrels

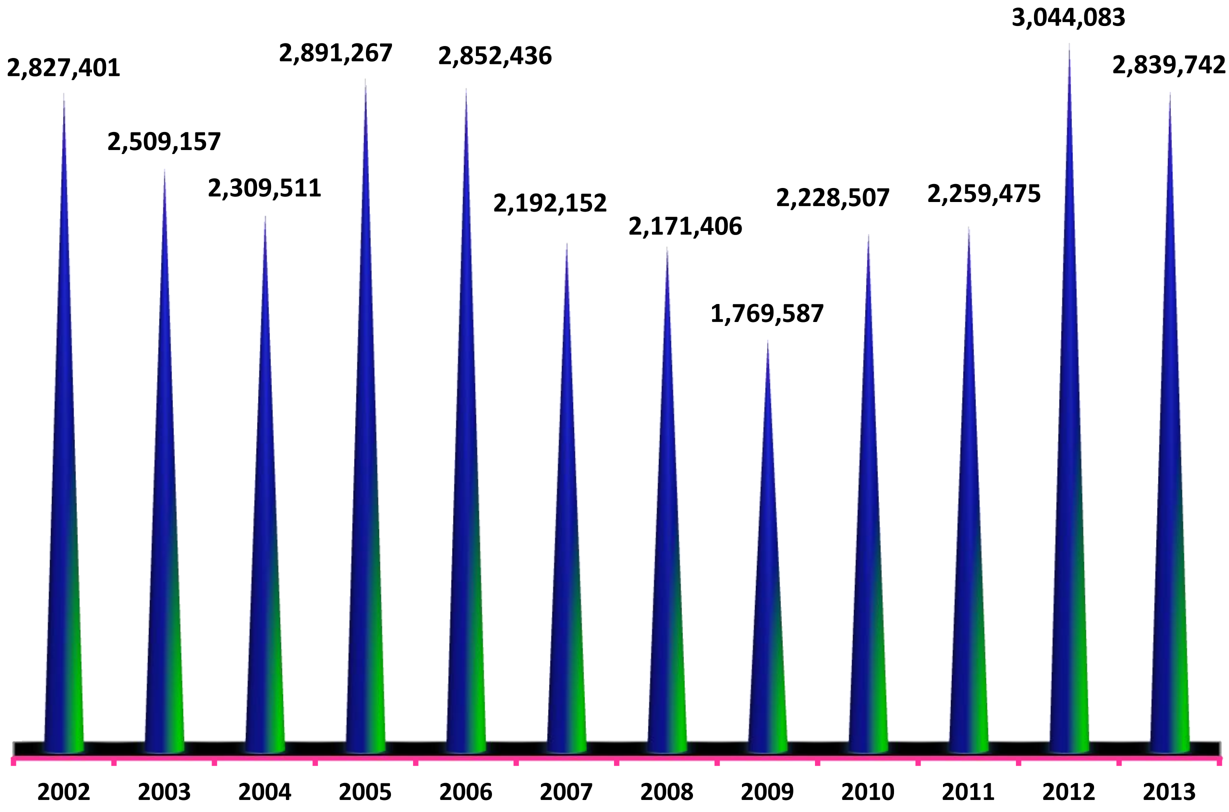


Chart 5

Natural Gas Production

Thousands of cubic feet per day (MCFD)

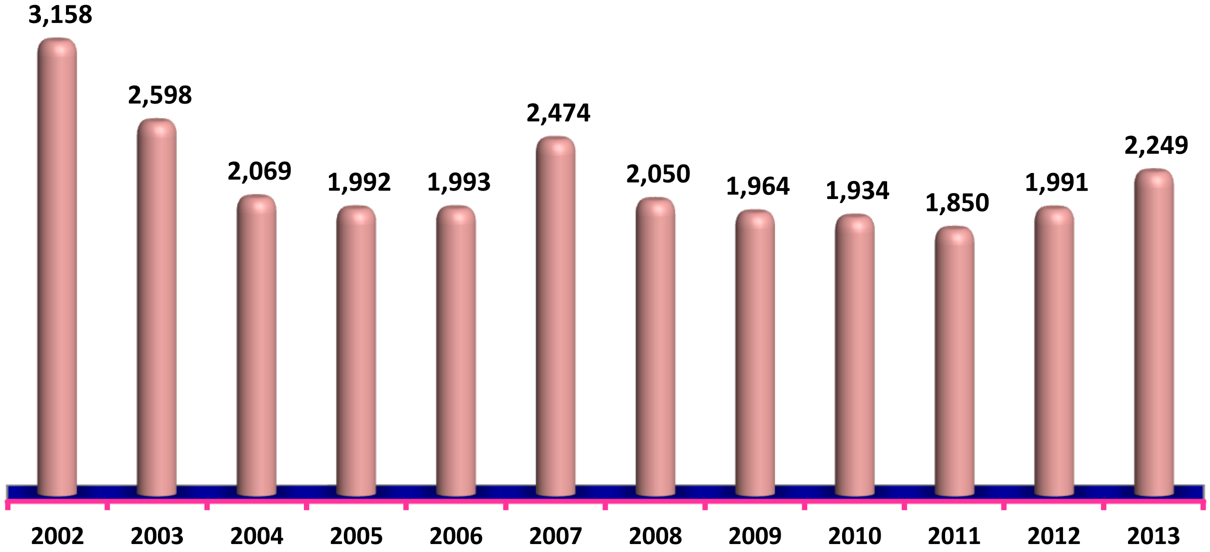


Chart 6

Natural Gas Reserves

Millions of cubic feet (MMCF)

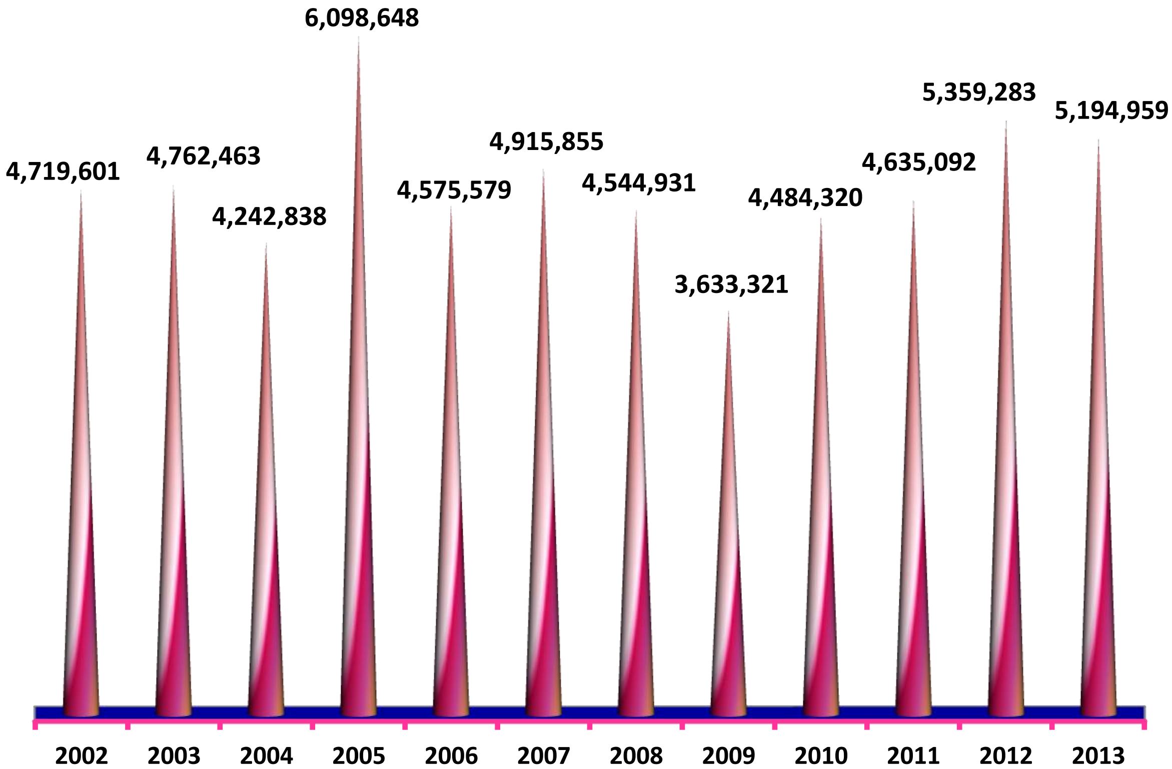


Chart 7

Volume of Petroleum Products Imported

(Thousands of Barrels)

(The Company assumed responsibility for the importation of petroleum products towards the end of the 2006 financial year)

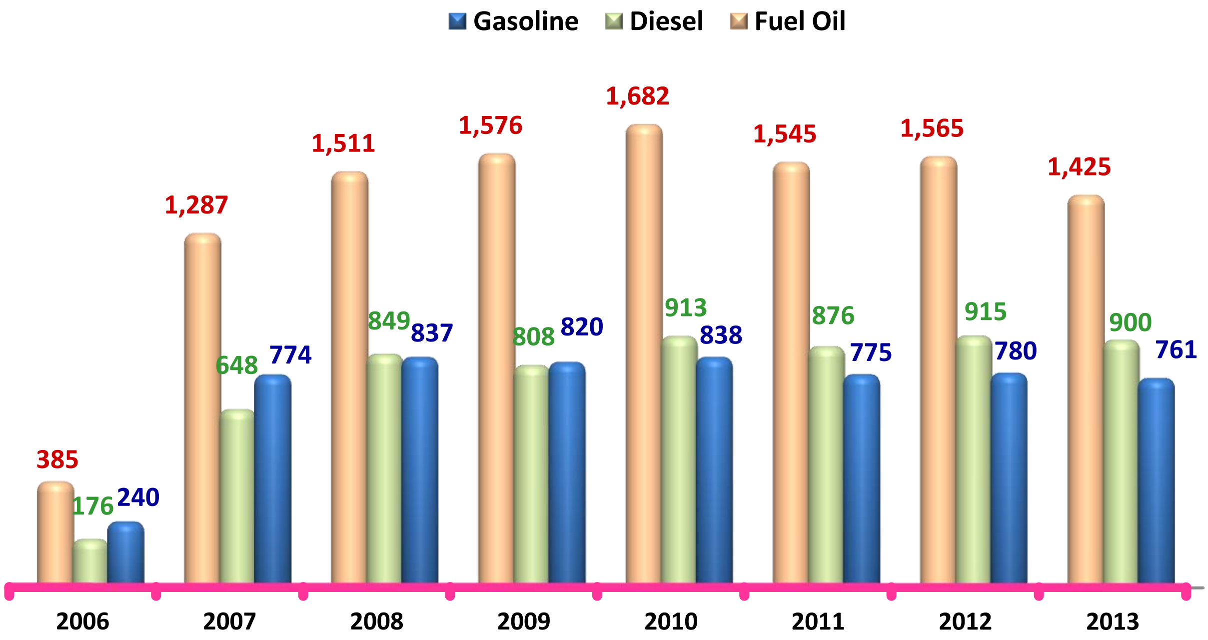
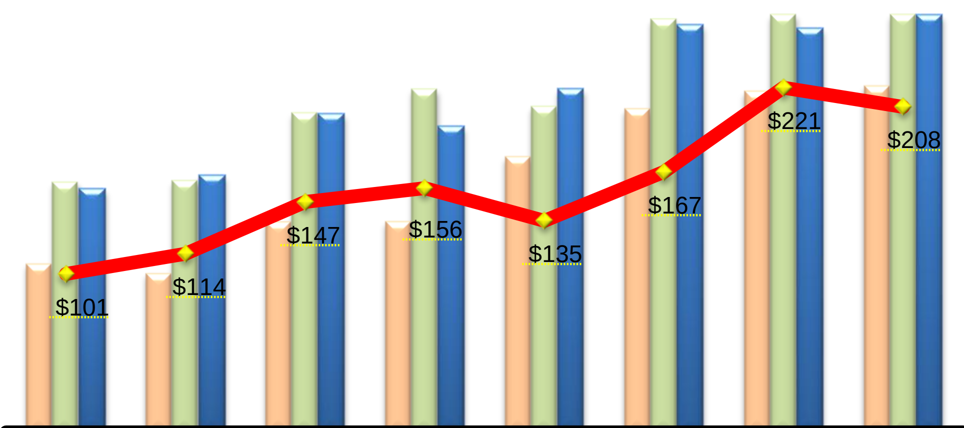


Chart 8

Average Monthly CIF Price of Products against Average Monthly Crude Oil Price

(Barbados Dollars – BD$)

(The average crude oil price shown is lower than the CIF price of refined products because it does not include the cost of refining, freight, storage and other normal ancillary costs.)

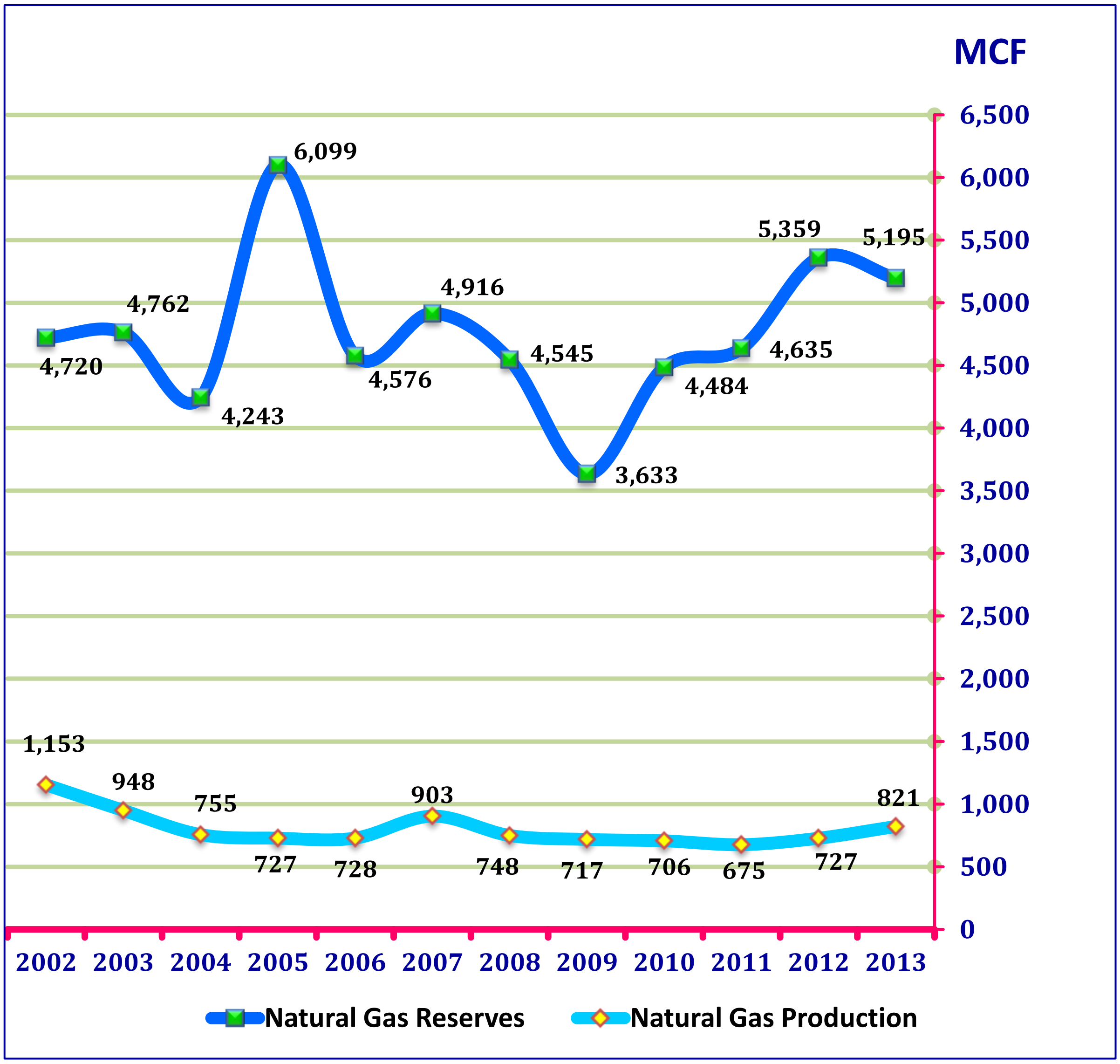


	2006	2007	2008	2009	2010	2011	2012	2013
Gasoline :[CIF]	$156	$165	$204	$196	$220	$261	$259	$267
Diesel :[CIF]	$160	$161	$205	$220	$209	$265	$268	$268
Fuel Oil :[CIF]	$108	$102	$135	$135	$177	$207	$218	$222
CRUDE OIL PRICE	$101	$114	$147	$156	$135	$167	$221	$208

Chart 9

Natural Gas Reserves and Natural Gas Production
For the financial years 2002 to March 2013
(Thousands of Cubic Feet - MCF)

The Company secured operating agreements with Petro-Canada and PDVSA between 1983 and 1993 and a Joint Venture Partnership with Waggoner (Barbados) Ltd. between 1996 and 2002.



DR. LEONARD NURSE
Chairman , BNOCL Group

Appointed Director in January 1989. Served as Chairman for period 1992 to 1994 and 2008 until present.

Profession/Position: Coastal and Marine Scientist
PhD (McGill, Montreal, Canada), MSc (Memorial University, Newfoundland, Canada), BSc (UWI, Mona),

Senior Lecturer, Integrated Coastal Area Management: Climate Change, Centre of Resource Management and Enviromental Studies CERMES)
University of the West Indies, Cave Hill Campus.

TENNYSON BECKLES
Deputy Chairman, BNOCL Group

Appointed Director of BNTCL in March 2008 and subsequently appointed as Director and Deputy Chairman of the BNOCL Group in December 2008.

Profession/Position: Retired HR Professional / Economist

VALERIE BROWNE
Director, BNOCL / BNTCL

Appointed Director : September 2011

Profession/Position: Permanent Secretary-Energy, Division of Energy and Telecommunications (Prime Minister's Office)

WAYNE FORDE
Director, BNOCL / BNTCL

Appointed Director : June 2011

Profession/Position: Commissioner of Land Tax

Nominee of the Permanent Secretary, Ministry of Finance and Economic Affairs on the Board of the BNOCL Group.

RONALD HEWITT
Director, BNOCL

Appointed Director : March 2008

Profession/Position: Chartered Accountant

Retired General Manager of BNOCL Group (1988 -2009)
Finance Manager, BNOCL (1983 – 1988)

HAYDEN WORKMAN
Director, BNOCL / BNTCL

Appointed Director : January, 1996

Profession/Position: Electrical Engineer
CEO of Hayden Workman Electrical Inc.,

MONICA HINDS
Director, BNOCL

Appointed Director : August, 1995

Profession/Position: Chartered Accountant
Group Finance Director of Ansa McAL (Barbados) Limited.

LESLIE BARKER
Director, BNOCL / BNTCL

First Appointed Director: January 1983 to1985
Re-appointed Director from March 2008 until present.

Profession/Position: Geologist
CEO, Hydroterra Inc. Environmental Services
Retired Chief Geologist, Government of Barbados

JEAN HILL
Director, BNOCL

Appointed Director :	March 2008
Profession/Position:	Director, Island Bliss Events

DOUGLAS GREENIDGE
Director, BNTCL

Appointed Director :	March 2008
Profession/Position:	Attorney-at-Law

DAVE WAITHE
Director, BNTCL

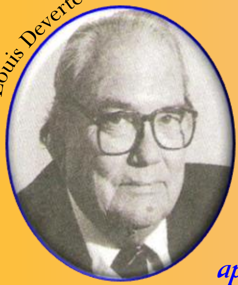
Appointed Director :	March 2008
Profession/Position:	CEO, Atlantis Seafood Inc.

EVERTON LASHLEY
Director, BNOCL

Appointed Director :	March 2008
Profession/Position:	Pharmacist CEO of RoundHay Pharmacy

HISTORY OF Chairmanship

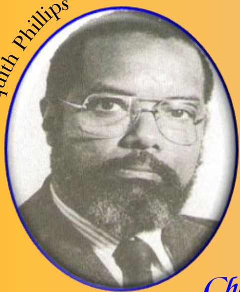
Louis Deverteuil



Mr. Louis Deverteuil served as the first Chairman of Barbados National Oil Company Limited from 1982 to 1985 under the arrangement with Petro-Canada. He was succeeded by Mr. Collis Blackman who held office from February to October 1985. In 1985 Mr. Anthony Thomas was appointed Chairman and held this position until March 1988 when Mr. Asquith Phillips was appointed. Mr. Phillips held this position until his death in September 1991, when Dr. Leonard Nurse who served as Deputy Chairman was appointed Chairman until his resignation in September 1994. Mr. Anthony Griffith was appointed Chairman from October 1994 until March 1995 when Dr. Patricia Alleyne (nee Thorington) was appointed Chairman until March 1996. Mr. Anthony Thomas was re-appointed Chairman from April 1996 until his resignation in February 2007. In February 2007 Mr. Tyson Thompson was appointed Chairman and held this position until March 2008 when Dr. Leonard Nurse was reappointed and remained as Chairman until present.

Anthony Thomas

Asquith Phillips



Dr. Patricia Alleyne

Dr. Leonard Nurse

Dr. Nurse has the distinction of the being the longest serving Director of the Group of Companies.

Tyson Thompson

During the period of its existence, the Company has been served by many Directors who have provided excellent support and guidance towards the development of the Group. The Company acknowledges and expresses its gratitude for the contributon and support received from the former and current directors.

No Photographs are available for Messrs. Collis Blackman and Anthony Griffith.

Mr. Winton Gibbs
General Manager

The role of the Barbados National Oil Company in the delivery of petroleum products at competitive prices was evident by its philosophy of marketing gasoline and diesel at cost price.

FINANCIAL Highlights

Average Daily Crude Oil Production : 727 BPD
Average Daily Natural Gas Production : 2,249 MCFD

Average Crude Oil Price : $208 /bbl
Year-end Crude Oil Price : $211 /bbl

Gross Revenue : $794 million
Operating Expenses : $764.5 million
Net Income : $29.5 million

Annual Bond Issue Payment : $38.2 million
Long Term Debt Obligation : $161 million

(expressed in Barbados Dollars)

The Company's capacity to provide reasonably priced petroleum products and the economic growth of the country continued to be impacted by the high oil prices on the international market.

It is reasonable to assume that world crude oil prices would continue to fluctuate, given the political and economic instability in major oil producing countries.

BNOCL is aware of the negative impact of the use of fossil fuels on the environment and also its impact on foreign exchange usage. Consequently, the company continued its plans to transform the Group into a fully integrated energy corporation by focussing on the development of solar energy, and generating projects to facilitate this initiative.

The company will continue to employ new technologies to develop its renewable energy initiatives, and to seek suitable joint venture partners to further develop its upstream programme.

Financial Performance

During the year under review, the Group earned a net income of $29.5 million. This net income is added to retained earnings brought forward of $41.2 million to close with retained earnings of $70.7 million at the end of the current financial year.

This favourable result was achieved through the combined efforts of the Group's upstream and downstream operations, as well as the trading relief which was realised through the pricing mechanism. Despite a reduction in the Company's working capital, an improvement in its overall financial position was realised.

Pricing Mechanism on Petroleum Products (Gasoline and Diesel)

The pricing mechanism introduced by the Government, was reduced from 15 cents to 10 cents per litre to BNOCL on gasoline and diesel. The 2 cents per litre on gasoline and diesel to BNTCL was retained. This mechanism continued to be a vital element in the Group's operations during the year under review.

The proceeds from the 10 cents mechanism partially provides the cash flow for BNOCL to service the company's $160 million Bond issued to the public. The shortfall is funded from the Company's cash flow. The 2 cents per litre assist BNTCL in recovering $30 million on losses incurred from subsidies on gasoline and diesel during the financial years ending March 2005 and March 2006.

Under this pricing mechanism, the retail (pump) prices of gasoline and diesel are adjusted on a monthly basis to conform to the actual cost, insurance and freight (CIF prices) of these products. The average CIF prices of the products purchased during the current month are used as the basis for calculating the retail prices of product for the following month. This policy is intended to provide product to the consumers at cost price.

The Government still retains the option of determining the retail prices in the event of unusually high oil prices in the future.

As at 31st March 2013 proceeds from the 10 cents per litre pricing mechanism to BNOCL were $25.5 million. These proceeds assisted the company to honour its commitment of depositing $38.2 million to the Debt Service Reserve Account to facilitate the repayment of the Bond obligations. The shortfall of $12.7 million was provided from the Company's cash flow.

Gasoline and Diesel

BNOCL purchases gasoline and diesel at international prices under a supply agreement with a regional refinery. These refined products are sold to the marketers at CIF price plus the 10 cents per litre loss recovery mechanism.

Revenue (retail pump price) is determined by the Division of Energy and Telecommunications from the previous month's average purchase invoices, while the cost of sales is based on the current month's actual purchase invoices.

Heavy Fuel Oil (HFO)

BNOCL was awarded the contract to supply heavy fuel oil to the Barbados Light and Power Company Limited (BL&P) following a competitive bid.

The retail price of heavy fuel oil to the BL&P is therefore not controlled by Government. Heavy Fuel Oil is supplied to the BL&P on the basis of actual cost, insurance and freight plus a negotiated nominal profit margin to cover incidental marketing costs.

The cost price of HFO is linked directly to the international market (Platts US MarketScan).

Crude Oil Prices

During the course of the year, the average price of crude oil decreased to approximately BDS$208 per barrel when compared with approximately BDS$221 per barrel in 2012. As seen in the graph at chart 8, crude oil prices fluctuated over the course of the year and by year end had fallen to $211 per barrel.

Drilling Programme

The Company completed the final two wells in the ten-well programme which commenced in the previous year. However, the company was unable to complete these wells due to factors beyond its control involving a key service provider.

Similarly, the exploration well which was started at Society, St. John was further delayed for completion due to technical challenges. However, this well will be revisited in a subsequent drilling programmes.

Production

The company continued to employ various enhanced recovery techniques to improve production on its active and intermittent wells. For the period under review the company produced 265,524 barrels of crude oil and 820,855 mcf of natural gas.

Supply of Natural Gas

The company continued to supply natural gas to the National Petroleum Corporation without interruption. The two organisations continue to work closely to ensure that NPC's customer growth can be reasonably developed given the level of proven reserves of the company.

Importation of Natural Gas by Pipeline

BNOCL and the National Petroleum Corporation in conjunction with the Barbados Light and Power Company Limited continued to work with the Negotiating Team to review and coordinate the importation of natural gas from Tobago by a subsea pipeline. This initiative was introduced by the Government, given the declining natural gas reserves onshore Barbados, which are insufficient to fully realise the growth potential of the National Petroleum Corporation.

The Sub-Committees of the Negotiating Team reviewed various proposals on this initiative, however no decision has yet been made.

BNOCL continued to enhance its operations to ensure that the supply of natural gas to the NPC is sustained, pending a decision on this intiative.

Production Abroad

The company continued to seek opportunities aimed at expanding its operations overseas. These initiatives are designed not only at increasing its oil and gas reserves but at reducing the level of foreign currency required for the purchase and importation of product.

Renewable Energy and Energy Efficient Projects

During the year, the company consolidated its Renewable Energy Department as part of the company's strategy to diversify the energy mix and widen its product base. The initial focus of the department has been on the design and installation of photovoltaic systems on a commercial basis. Discussions have started with potential partners for the execution of these projects.

Corporate Image

The company continued its plans to develop the entire Woodbourne Complex as part of the strategy to enhance its corporate image. The designs and plans for the construction of a new multi-functional energy-efficient corporate building were in progress. Currently, the administrative and executive offices are temporarily located in the new maintenance/operational facility, which was officially opened in 2011. The new coporate building was essential to the ongoing development of the Company's strategic plans.

Scholarship Programme

The company continued to offer an annual scholarship to suitably qualified Barbadian students pursuing a first degree at the University of the West Indies in geology, petroleum engineering or a petroleum related course of study.

The scholarship is intended to satisfy the expected demand for professionals in the local petroleum industry as the company expands its upstream onshore operations, and as the country moves towards the development of its offshore exploration programme.

Board of Directors

At the last Annual General Meeting, Dr. Leonard Nurse was re-appointed Chairman and Mr. Tennyson Beckes was re-appointed Deputy Chairman of the Group of Companies.

Included on the Board of Directors are the Permanent Secretary of the Division of Energy and Telecommunications and the Permanent Secretary of the Ministry of Finance and Economic Affairs, or their nominees.

Terminal Operations

The terminal continued to manage the storage and delivery of petroleum products and related activities efficiently. Total throughput volumes for the year declined from 4,202,837 barrels in 2012 to 3,927,008 barrels in 2013. As seen in chart 16, all petroleum products recorded a decline in volumes, with jet fuel recording the most significant decrease.

The terminal was successful in installing and commissioning new equipment for Gum testing in Jet fuel. This has enabled the terminal to achieve its 5 year objective in becoming equipped to conduct full recertification of Jetfuel, and explore the possibility of commercialising this operation. This testing was normally outsourced to international agencies.

Associated Company

BNOCL has a 30.4% equity interest in Asphalt Processors Inc. This associated company is supplied with heavy fuel oil by BNOCL for the production of asphalt for local and regional consumption.

Conclusion

The challenges of the Company remain the delivery of petroleum products to the consumer at the most competitive prices, given the world market economic conditions.

To mitigate the impact of this volatile situation, the company continues to employ appropriate technologies and seek suitable partnerships in an effort to maximise its oil and gas production and reserves.

The Company remains committed to significantly impacting the renewable energy sector, and has developed certain medium term strategies to advance this initiative.

The company expresses its appreciation to its Shareholders, Board of Directors, employees and other stakeholders for their support and commitment towards the growth and development of the Group of Companies.

IN REVIEW

In 2007, BNOCL in collaboration with the National Petroleum Corporation commenced a pilot study with the objective of introducing an alternative fuel efficient and environmentally friendly vehicle (25% less greenhouse emissions) to the Barbadian public. The Study was a success.

BNOCL 30 years Special Edition 1983 ~ 2013

An Update …

The first two natural gas-powered vehicles, which are owned by BNOCL and the NPC, have functioned efficiently over the years. The mileage compared favourably with petroleum-powered vehicles. However, the natural gas option is much more economical and environmentally friendly.

SENIOR MANAGEMENT

Winton GIBBS
General Manager

Gordon WORME
Operations Manager

Brenda HINDS
Human Resources Manager

Mervyn GORDON
Technical Manager

Andre ALLEYNE
Terminal Manager

Joan HINDS-HOLDER
Finance Manager

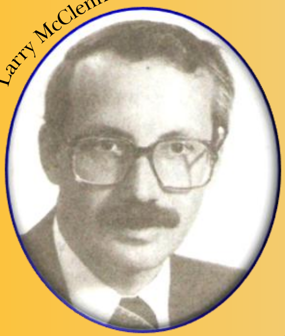
Pedro BUSHELLE
Information Systems Manager

Terrence STRAUGHN
Terminal Superintendent

Carolyn FORDE-BRYAN
Internal Auditor

Wesley CARTER
Trading and Marketing Manager

HISTORY OF General Managers


Larry McClennon


Malcom McElroy

The first General Manager of Barbados Natioanl Oil Company Limited was Mr. Larry McClennon who was appointed in 1982 under the Petro-Canada arrangement. He was succeeded by Mr. Malcolm McElroy who held office until 1987.

In 1988, the Company appointed the first Barbadian General Manager in Mr. Ronald Hewitt. Mr. Hewitt previously held the position of Finance Manager following his appointment in 1983. He held the position of General Manager for twenty-one years until his retirement in December 2009. Following Mr. Hewitt's retirement, Mr. Winton Gibbs was appointedas General Manager. Mr. Gibbs previously held the position of Finance Manager and Corporate Secretary in the Group.


Ronald Hewitt


Winton Gibbs

Following the incorporation of the Barbados National Terminal Company Limited in 1998, Dr. Patricia Alleyne (nee Thorington) was contracted to manage the construction and operations of the terminal facility until April 2008.


Dr. Patricia Alleyne

From May 2008, the management of the terminal facility came under the purview of the General Manager of the Barbados National Oil Company Limited.

The company is committed to developing the competencies of its employees and supporting their professional and personal development to enhance its human capital . This supports its plan of strengthening its policies and procedures to accomplish its strategic goals of becoming a fully integrated energy organisation.

Accordingly, employees continued to benefit from appropriate training programmes and seminars in areas such as renewable energy, technical and drilling operations, human resources management, financial risk management, HSSE (health, safety, security and environment) and information technology. Deliberate emphasis continued to be placed on reviewing the company's operating procedures and its compliance, given the enactment of the Safety and Health at Work Act (ShaW).

The company also continued to work closely with the relevant state regulatory agencies to ensure that its operations were compliant with the health, safety and environmental legislations, statutory requirements and best practices, and to maintain a safe and secure working environment for its employees. In this regard employees benefited from various industry specific training offered by these agencies.

These agencies included the Environmental Protection Department, (EPD) The Barbados Fire Service, the Ministry of Labour, and the Department of Emergency Management.

The Water Monitoring Program which commenced in 1996 in conjunction with the Barbados Water Authority continued during the the period under review. The results have confirmed that the quality of the potable water supply harvested from within the Woodbourne area continued to meet the recommended quality standards.

Staff Appointments and Changes

During the year under review the company welcomed Ms. Karen Austin who joined the Group in May 2012 in the position of Engineering and Maintenance Superintendent at BNTCL. Mr. Wesley Carter joined BNOCL in November 2012, in the position of Trading and Marketing Manager. The Company welcomes them to the management team. It is recognised that their wide experience in their chosen fields and the commitment so far in their respective positions will assist the company in meeting its objectives.

The Company bid farewell to Ms. Anna Haynes, Business and Development Manager, Ms.

Karen Austin
Engineering and Maintenance Superintendent

Wesley Carter
Trading and Marketing Manager

Cynthia Applewhite
Maid

Nicole Brathwaite, Accounts Clerk and Mr. Gerald Anthony, HSSE Coordinator and Marine Focal Point.

The Company extended best wishes to Ms. Cynthia Applewhite, who retired from the position of Maid in January 2013, after 25 years of service. The Company expresses its appreciation to Ms. Applewhite for the excellent service rendered to the Company during these years.

In December, 2012, the Company was saddened by the loss of Mr. Ishmael Estwick, former Floorman, who passed away after 25 years of service. The Company recognised the dedication exhibited by Mr. Estwick during his tenure and extended its sincere condolences to his family.

The Company held a number of health and sporting acitivities for its staff and neighbouring communities. It also continued to honour its social responsibility by providing support to various charitable organisations, communities and educational institutions.

As at March 31, 2013 the BNOCL Group had 132 employees on staff. This number was represented by BNOCL=17, BNOSL=86 and BNTCL=29.

TOUR OF OILFIELD

A Group of students from the Lodge School on a tour of the oilfield operations at Woodbourne, St. Philip.

Inset is Christopher Moseley, Geologist, Dedicated Coordinator of the guided tours.

Long Service Recognition

The Board of Directors
joins with the management of the Group
in celebrating and commemorating
the long-term commitment and loyalty of
both current and former employees
who have achieved
significant milestone years of service.

30 years ~ 20^+ years ~ and almost 20

Congratulations

Long Service Recognition

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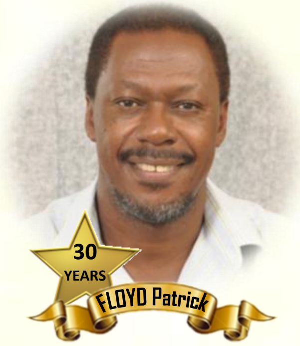
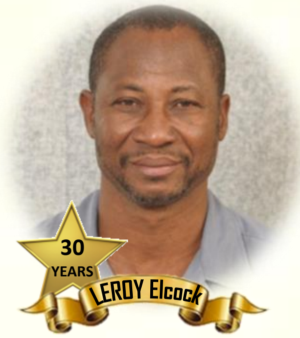
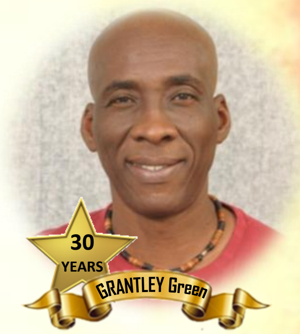
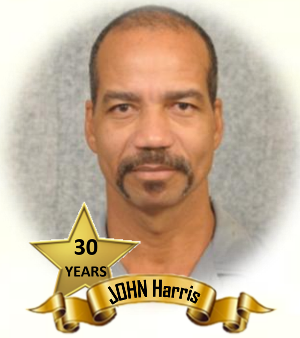
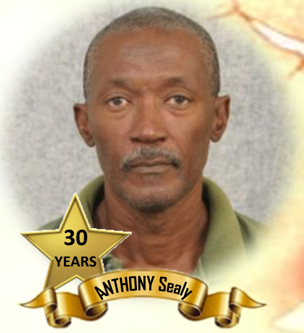
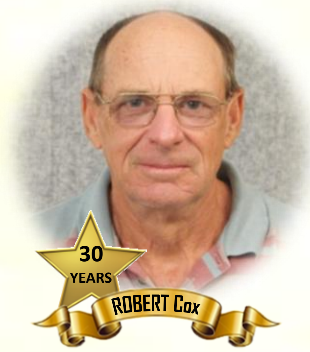


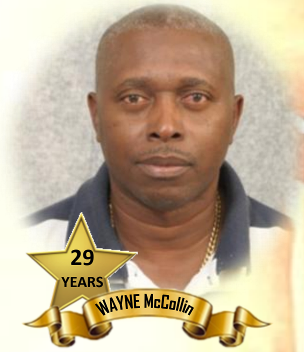


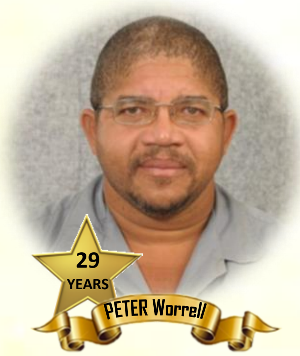


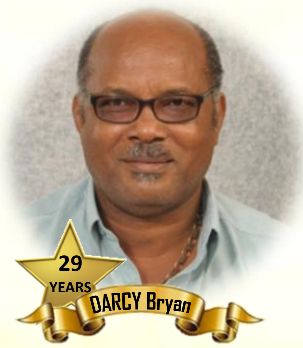




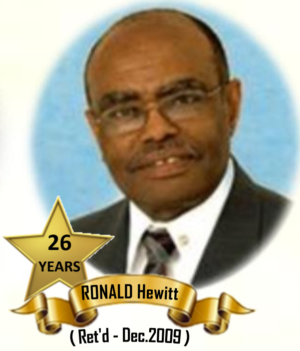


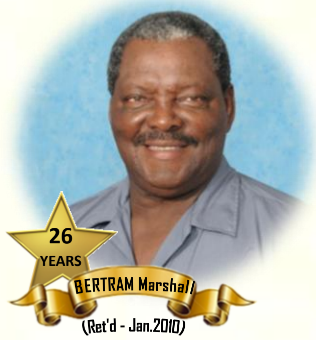


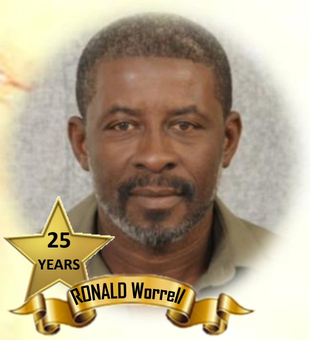


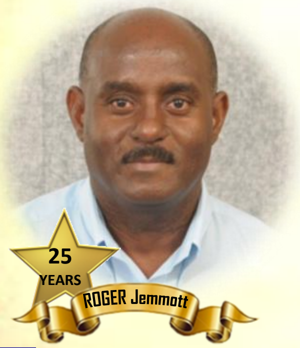


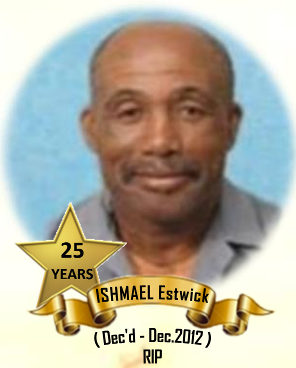
Long Service Recognition











Long Service Recognition

BNOCL 30 years Special Edition 1983 ~ 2013

24 YEARS
GRANTLEY Wason

No
Picture
Available

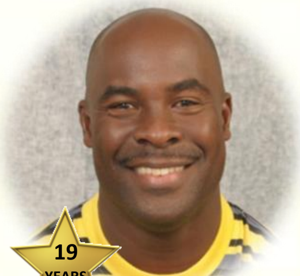
24 YEARS
RITCHIE Prescod
(Ret'd - Mar.2012)

23 YEARS
IVAN Lynch

20 YEARS
RONNIE Gittens

20 YEARS
ANDREW Bishop

19 YEARS
DENNIS Mayers



19 YEARS
SEBASTIAN Ashby

19 YEARS
ELSA Hewitt

19 YEARS
DOUGLAS Hall

thank you

Crude Oil Production

The production of crude oil decreased by approximately 8.8% to 265,564 barrels this year as compared with 291,190 barrels in 2012.

The most productive fields this year continued to be in Edgecumbe and West Woodbourne. As seen in chart 10, production from the Edgecumbe field, which represented 34% of total production, yielded 89,359 barrels of crude oil, despite a decrease of 24% compared with the volume of 117,534 barrels in 2012. Production from West Woodbourne, which represented 33% of total production, yielded 86,994 barrels of crude oil, a minor increase over last year's production of 86,519 barrels.

Natural Gas Production

As seen in chart 5, natural gas production for this year was 820,855 MMCF, representing an increase of 13% over production of 726,820 MMCF reported in 2012. This increase in production was due to an increase in demand. This was facilitated by the activation of production from the gas producing reserved wells. This enabled the company to maintain an uninterrupted supply of natural gas to the National Petroleum Corporation (NPC). Total gas sales to NPC increased by 2% to 501,771 MCF from 493,290 MCF in 2012.

2012 Drilling Programme

The Company drilled nine developmental/semi-developmental wells in its 2012 drilling programme, which started in October 2011 and was completed in April 2012. In addition, one exploration well at Society, St. John was started but was temporarily suspended due to technical difficulties encountered by a service provider.

During the year, the services of a key wireline contractor were inaccessible, and the Company was unable to complete the perforations on the new wells drilled. Consequently, a number of these wells could not contribute to production for the year. The Company is making arrangements to perform these perforation services in-house.

Reserves

The 2012 drilling programme was successful in adding a total of 1,030,100 barrels of oil reserves, bringing the total crude oil reserves to 3,044,083 barrels at the beginning of the year. The programme also added 1,616,800 mcf of gas reserves, bringing the total at the beginning of the year to 5,359,283.

As seen in chart 12, as at the 31 March, 2013, crude oil reserves decreased by 6.7% to 2,839,742 from 3,044,083 barrels in 2012. Natural gas reserves decreased by 3.1% to 5,194,959 MCF from 5,359,283 MCF recorded in 2012.

The decrease in oil and gas reserves is attributable to the situation where oil and gas were produced, but no new developmental wells were drilled during the year.

Work Programme

The Company maintained approximately 117 wells on production throughout the year. This was the same number of wells for 2012, but does not include the nine new developmental wells, which required perforation/completion services.

The Work Programme consisted of one initial completion and six recompletions on wells where production had declined below the economic limit, and one perforation to an existing interval. The programme also included four fracture stimulations for enhanced production. Thirty-one routine workovers were completed during the year compared to 37 in the previous year.

Crude Oil Transfers and Sales

The transfer of crude oil by pipeline from the Woodbourne Development Area to the BNTCL terminal at Fairy Valley continued without interruption.

The total quantity of local crude oil shipped to the Petrotrin refinery in Trinidad during the year was 266,116 barrels, representing an increase of 9.1 % when compared to 243,820 barrels in 2012. The increase in shipment of crude oil was reflected in the change in closing inventory.

Chart 10

Total Crude Oil Production by Field – (Barrels)

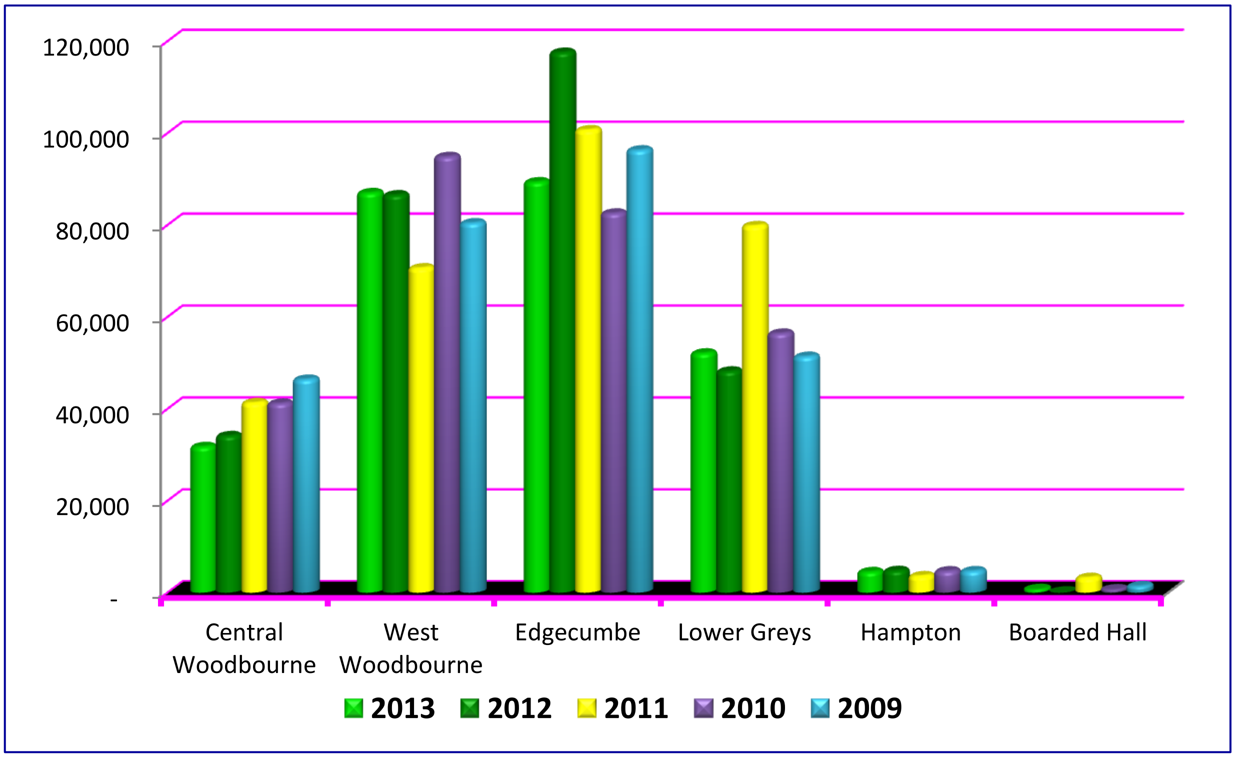


Chart 11

Total Natural Gas Production by Field – (MCF)

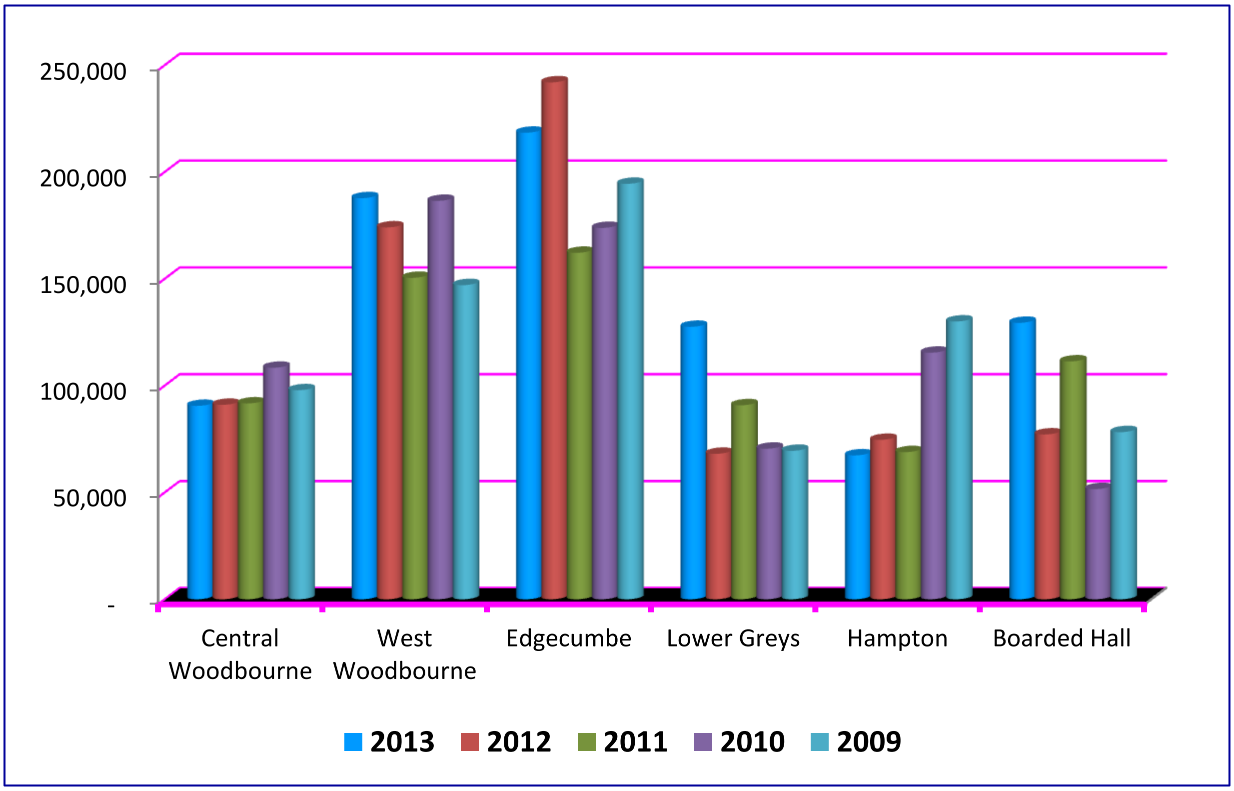


Chart 12

Proven Reserves of Crude Oil and Natural Gas

(For the years 2002 – 2013)

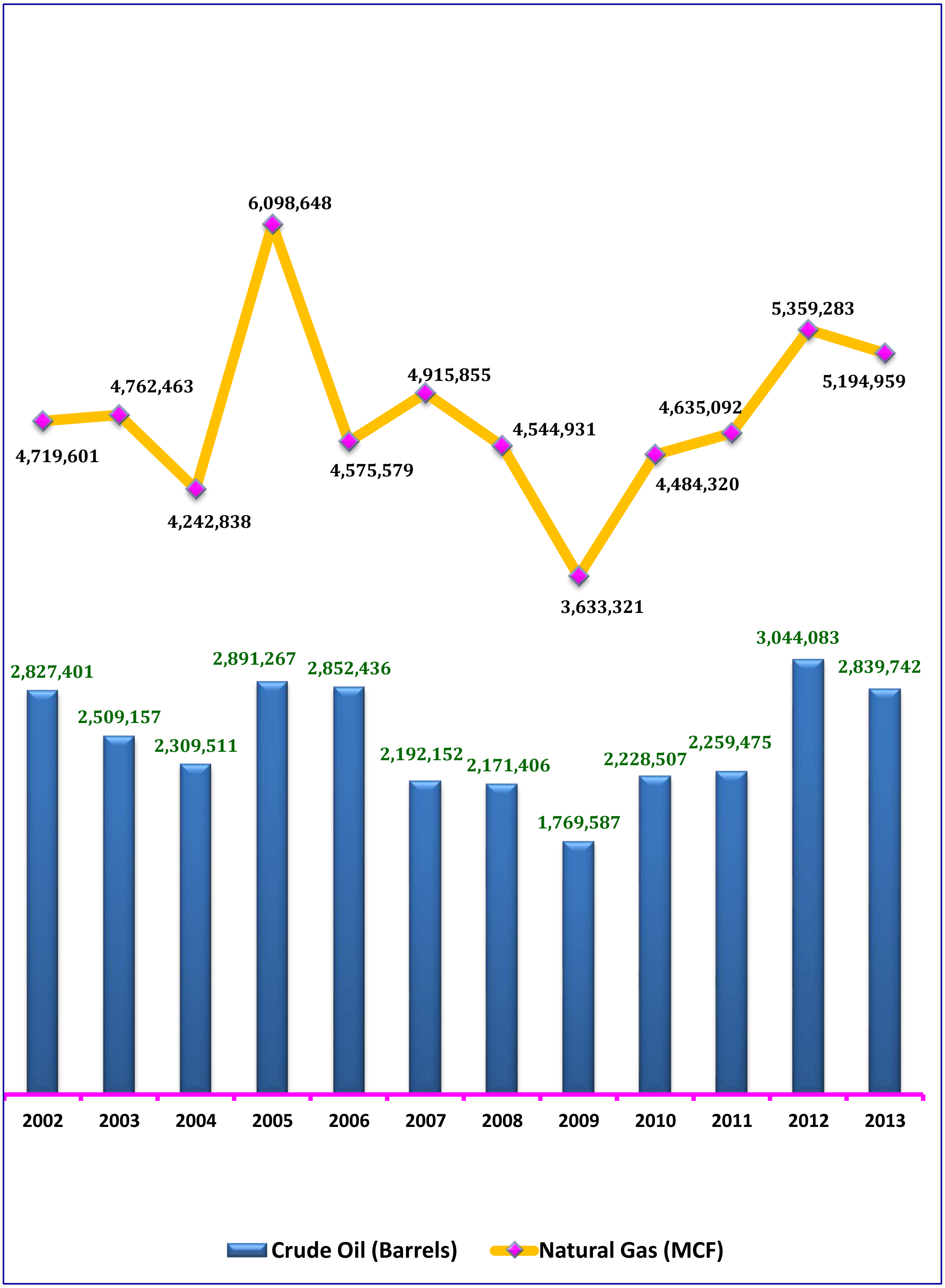
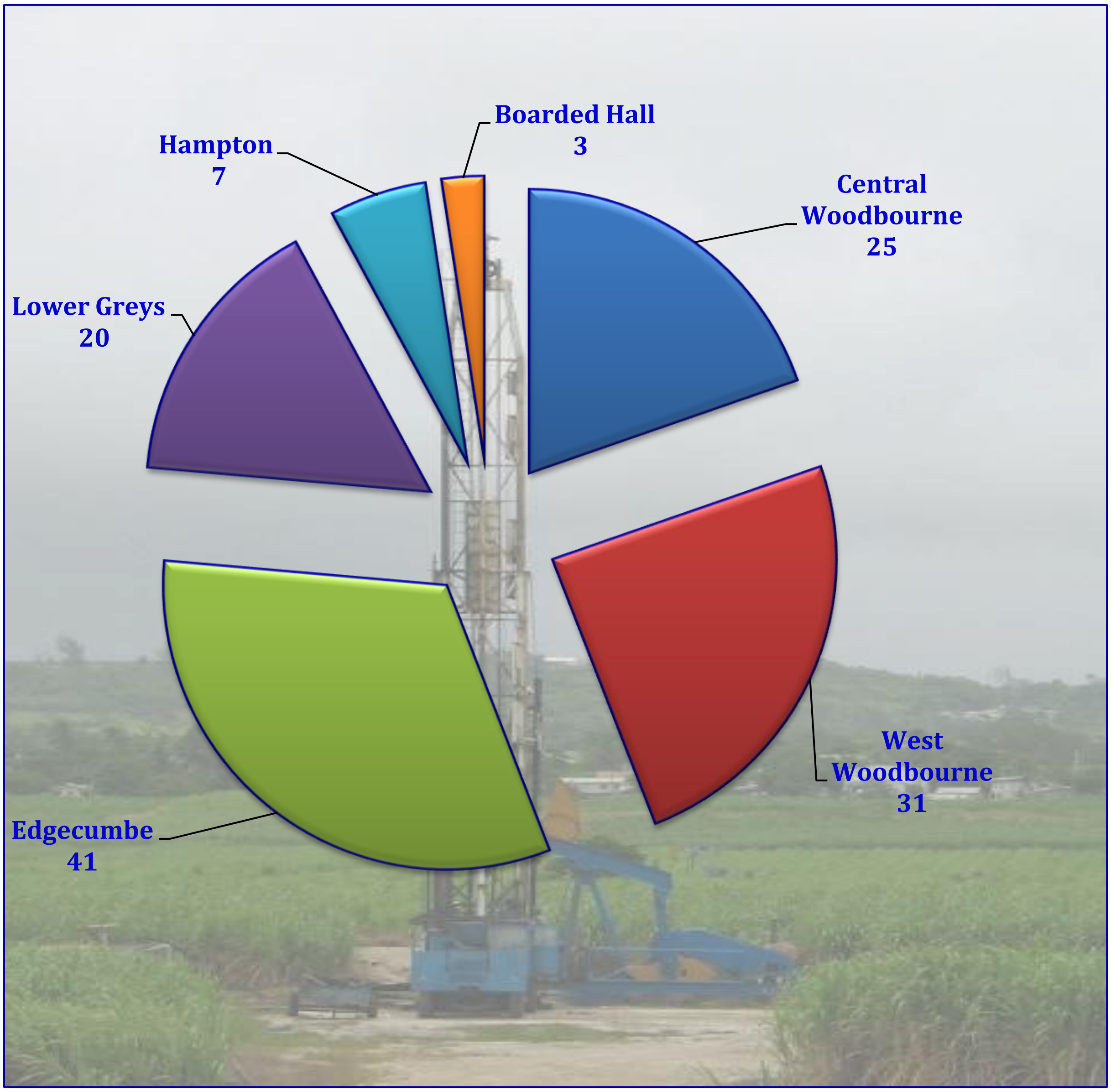


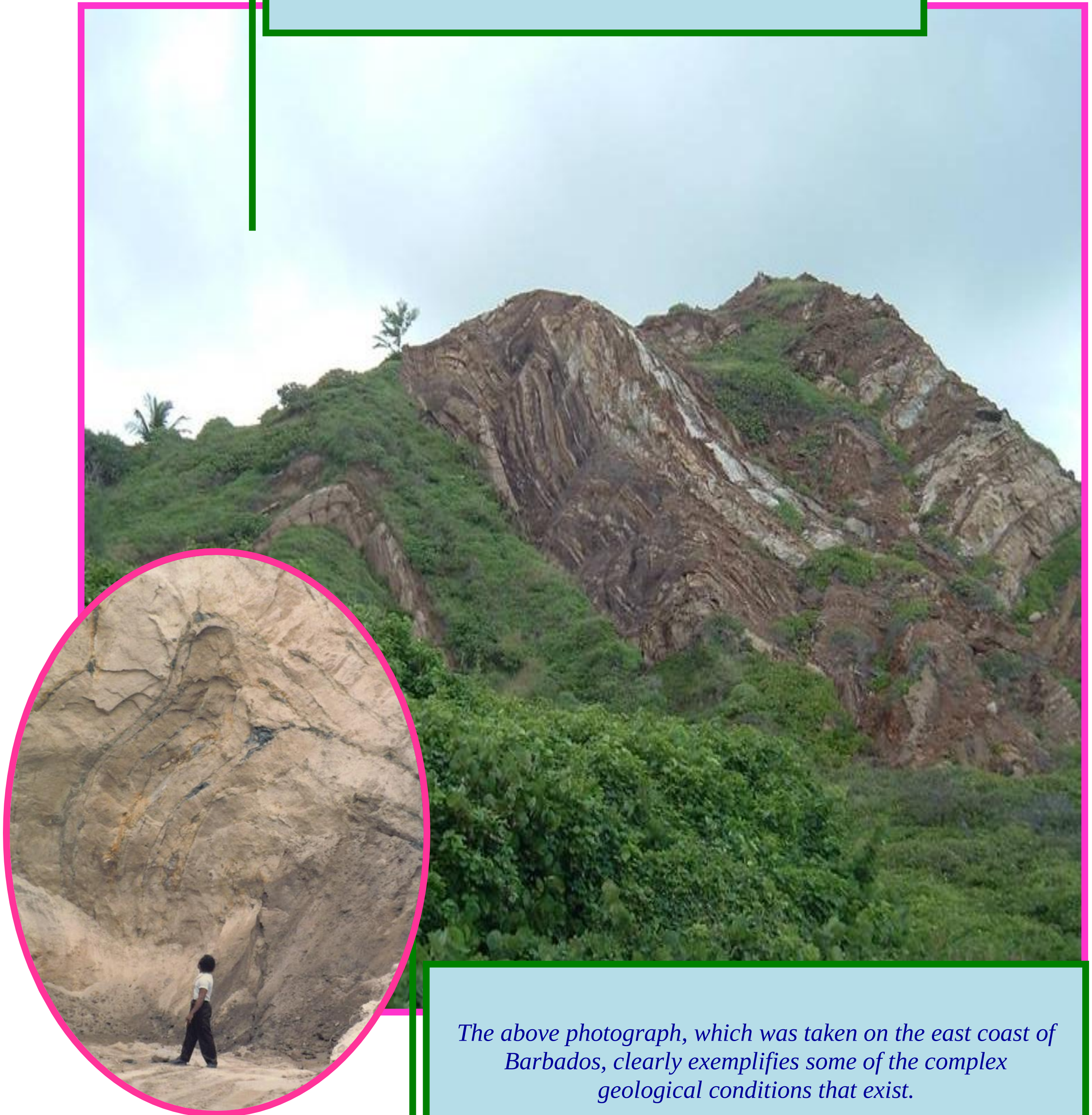
Chart 13

Number of Active Wells by Field

(As at March 31st, 2013)



The Company continues to maximise and develop its production operations through enhanced technologies, in spite of the known complex geological conditions.



The above photograph, which was taken on the east coast of Barbados, clearly exemplifies some of the complex geological conditions that exist.

Inset is a photo of a large anticline fold taken in the Scotland District in Barbados.
Note an employee standing before the formation, for scale.

The year to March 2013 although being a profitable one, saw a decline in net income for all companies within the Group. The decline in net income was primarily due to a decrease in revenue and an increase in operating cost across the Group. The company's profitability is attributable to all aspects of its operations, which include its upstream, as well as its downstream activities through terminalling, and supply of petroleum products.

This financial year was the fourth full year of operation since the pricing mechanism was implemented. The pricing mechanism was introduced primarily to enable the company to halt losses on the sale of gasoline and diesel by ensuring that the cost, insurance and freight (CIF) prices were borne by the consumer.

Additionally, through the pricing mechanism in the form of a Cess tax, the Government introduced 15 cents per litre on gasoline and diesel to BNOCL and 2 cents per litre on gasoline and diesel to BNTCL to facilitate the recovery of losses incurred by the Group in previous years, as a result of the subsidies on gasoline, diesel and electricity. However, in May 2012, the Government reduced the Cess tax from 15 to 10 cents per litre.

Revenue

The gross revenue of the Group decreased by 2.82% from $817.4 million in the year ended March 2012 to $794.3 million in the current year. Of this total, the sale of refined petroleum products accounted for $782.4 million representing a 2.76% decrease on the previous year's revenue of $804.6 million. As noted under 'operating cost', the cost of refined products decreased by approximately 0.21%.

The decrease in this segment of the business resulted from the sale of a slightly lower volume of product at slightly lower average prices. In the year under review, 3,034,255 barrels were sold at an average price of $257.85/bbl. For the financial year ending March 31, 2012, a volume of 3,070,845 barrels were sold at an average price of $262.01/bbl.

Revenue from the sale of natural gas increased marginally from $3.7 million in 2012 to $3.8 million in the year under review. The price of natural gas to the National Petroleum Corporation was reduced by the Government of Barbados to a fixed rate of $7.50 mcf.

BNTCL's throughput fees on the storage of aviation fuel decreased by 18.98% from $4 million in 2012 to $3.2 million in the current year. These amounts are included in the terminal throughput fees of $8.2 million in the current year and $9.1 million in 2012. This decrease is as a result of the decrease in the volume of jet fuel handled by the terminal facility from 1,169,509 barrels in 2012 to 872,118 barrels in the current year.

Operating Cost

The operating cost of the Group increased marginally from $732.3 million in 2012 to $735.4 million in the current year. The major contributor was an increase in the average cost price of refined product of $231.63 per barrel in the current year compared with an average cost price per barrel of $229.35 in 2012. Overall, the cost of refined products decreased marginally by 0.21% from $704.3 million in 2012 to $702.8 million in the current year.

General and Administration Expenses

The General and Administration expenses of the Group increased by 17% from $11.7 million in 2012 to $13.7 million in the year under review. This increase in expenses is primarily due to professional and other costs.

Debt servicing costs decreased by 6.4% from $15.7 million in 2012 to $14.7 million in the year under review and is mainly attributable to the amortization of the Series 1 of the $160 Million Bond Issue.

Other Income and Expenses

Other income comprising; interest income, gain on disposal of property, plant and equipment and other income increased by $1 million from $1.1 million in 2012 to $2.04 million in the current year. This increase is the net result of increases in interest income earned mainly on funds in the debt service account invested in secured instruments. Other expenses decreased from $1.2 million in 2012 to $1.08 million in the current year.

Net income

The Group reported an after-tax operating profit of $29.5 million in the current year following an after-tax profit of $53.7 million in the previous year. This was as a result of the fall in gross profit of $24.2 million from $85.1 million in 2012 to $58.9 million this year. This decline in gross profit is partly attributable to the removal of the 5 cents per litre on the retail price of gasoline and diesel in addition to the reduction in the production and sale of crude oil.

It is estimated that Corporation Taxes totaling $1.6 million would be payable on the operating results of its subsidiary company BNOSL, compared to an estimate of $19,829 for the previous year. *(See reference under BNOS below)*.

BNOCL, the Parent Company as an entity, reported an operating profit of $26.3 million, a decrease of 33.4% from the reported profit of $39.4 million in 2012. The reduction in net income resulted mainly from the sale of a lower volume of product at a lower average price than previous year.

BNOSL upstream operating company reported a profit of $881k in the current year compared to $9.1 million in 2012, a decline of 90.3%. The reduction in net profit is attributable to a decrease in the production of crude oil, together with an increase in the lifting cost of product, which included an increase in obsolescent inventory. As mentioned earlier, BNOS estimated that $1.6 million in corporation tax would be payable. In the previous year, the company sought and was granted an exemption from corporation tax based on the tax threshold outlined in the Petroleum Winning Operations Taxation Act (CAP. 82). The company is awaiting the determination of its application for a similar exemption for the current year.

BNTCL reported a net profit of $2.6 million compared to a profit of $5.2 million in 2012, a decline of 49.8%. This decrease in net profit is attributable to lower volume of product handled during the year.

The Holding company reported net profit of $67k compared to last year's profit of $44k, an increase of 54%.

Cash Flow

The profit of $31.1 million generated a net cash inflow from operations of $14.7 million. Financing activities, which dealt mainly with the repayment of the Bond Issue utilised ($42.7) million. The investing activities, which included the purchase of plant and equipment, used a further ($13) million, leaving a net decrease in cash and cash equivalents for the year of ($41) million.

The Group generated $14.7 million from its operating activities down from $44.1 million in 2012. However, the company's net profit for the current year was $31.1 million, compared to $53.8 million in 2012.

The cash flow used in financing activities of $42.7 million was primarily for the repayment of the Bond Issue, but was offset by proceeds from the issue of bonds of $3.2 million.

The opening cash balance of $37.3 million was reduced by the net cash outflow for the year of $41 million, leaving negative cash and cash equivalents balance of $3.7 million.

Table 1

[Non-Consolidated]
NET INCOME OF THE GROUP OF COMPANIES
(BDS$ Millions)

Year ended March 31st	BNOCL	BNOSL	BNTCL	BNOHCL
2013	26.273	0.881	2.634	0.067
2012	39.440	9.061	5.243	0.044
2011	42.408	0.970	4.880	0.055
2010	48.543	(0.092)	2.871	0.062
2009	(51.177)	(0.550)	2.923	(0.004)

IN REVIEW

BNOCL 30 years Special Edition 1983 ~ 2013

During the year under review, the Company continued to source and supply the country's requirement of gasoline and diesel under a contractual arrangement with Petrotrin, the state-owned refinery of Trinidad and Tobago. The Company also continued to source the country's demand for heavy fuel oil through contractual agreements with Staatsolie, the state-owned company of Suriname.

Heavy Fuel Oil (HFO)

The Company imported 1,425,172 barrels of HFO, 79,909 barrels less than the previous year, when 1,505,081 barrels were imported. Of the total imported, 215,891 barrels or 15% was supplied from locally produced crude oil, refined under a Processing Agreement with Petrotrin. The remaining volume of 1,209,281 barrels was supplied by Staatsolie.

Power generation accounted for 88% of HFO imported, while asphalt production used 3%, with the remaining 9% being used for industrial and manufacturing purposes. During the previous year, 83% of the HFO was used for power generation, 3% for asphalt production and the remaining 14% for manufacturing and industrial purposes.

Gasoline

The volume of gasoline imported decreased by 2.5% from 780,314 barrels in 2012 to 761,025 barrels in the current year. This averaged 63,419 barrels per month, which was purchased at an average price of BD$260 per barrel, compared with an average purchase price of BD$254 in the previous year.

As noted in chart 13 at March 31, 2013 the retail price of gasoline was BD$3.15 per litre. Of that price, 48% represented the cost of the product, 32% represented Government taxes, the marketers' margin accounted for 15% and the company's storage fee and margin accounted for 6%.

Diesel

The volume of diesel imported in 2013 decreased by 15,417 barrels from 915,074 barrels in 2012 to 899,657 barrels in the year under review. The average purchase price was BD$260 per barrel compared to an average purchase price of BD$262 per barrel in 2012.

As noted in chart 14 at March 31, 2013 the retail price of diesel was BD$2.86 per litre. Of that price, 59% represented the cost of the product, 22% represented Government taxes, the marketers' margin accounted for 13% and the company's storage fee and margin accounted for 6%.

Shipping

Marketing expanded its in-bound logistics activities to include "vessel vetting". The department has been using a customized program that facilitates a comprehensive evaluation of petroleum vessels, with the aim of ensuring the safe delivery and integrity of products into the petroleum terminal facility.

The Company again utilised the services of Pritchard Gordon (PG) Tankers as the marine freighter for its products. The freight costs, which were determined on the basis of competitive bids, were comparable with the previous year.

Proposed Introduction of Ultra Low Sulphur Diesel (ULSD)

The Company continued to work closely with the Division of Energy on the introduction of ultra-low-sulphur diesel (ULSD) as a replacement for the current high-sulphur diesel. The first shipment of the product was expected towards the end of 2013.

Chart 14

Breakdown of Beneficiaries of Retail (Pump) Price of GASOLINE
(315.296 BDS cents per Litre – effective January 6th, 2013)
In effect at March 31st, 2013

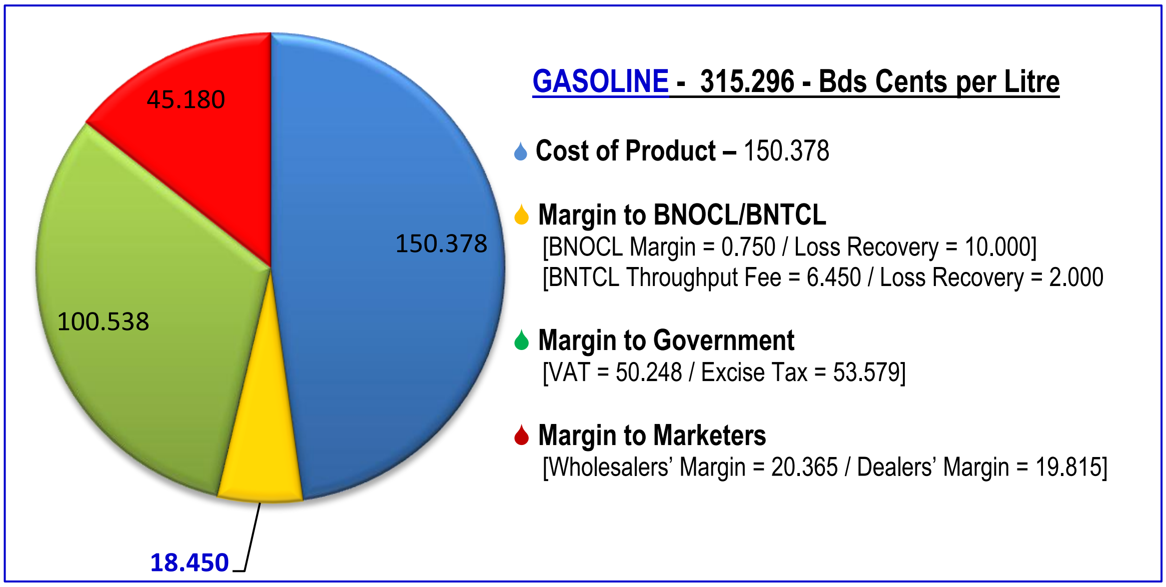
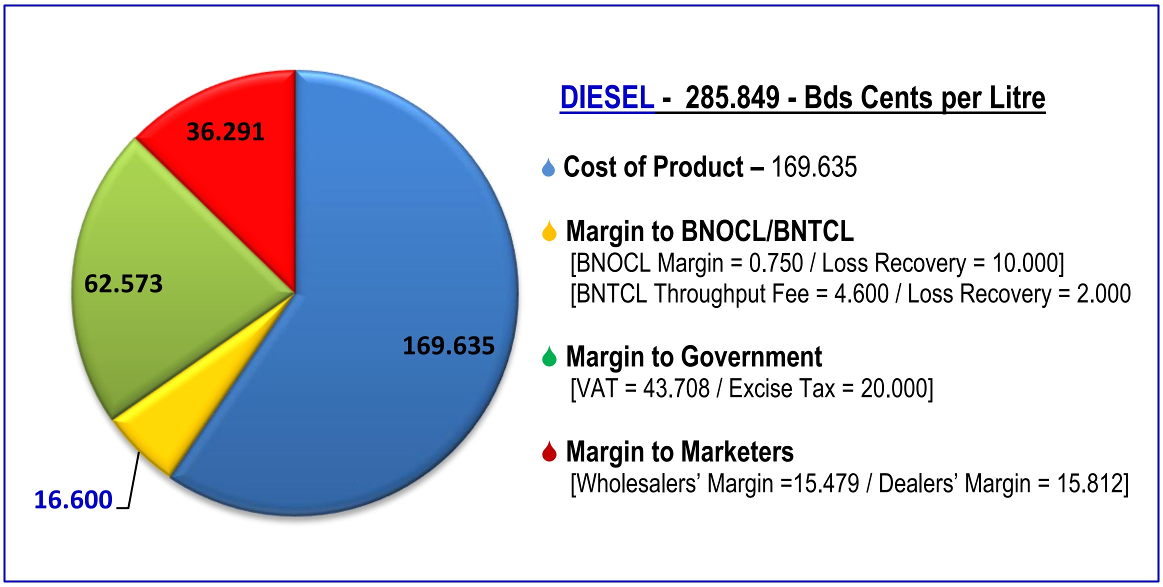


Chart 15

Breakdown of Beneficiaries of Retail (Pump) Price of DIESEL
(285.849 BDS cents per Litre – effective January 6th, 2013)
In effect at March 31st, 2013



The terminal located at Fairy Valley achieved another successful year of uninterrupted storage and handling of the island's petroleum stock requirements.

The Company recognised the critical nature of the Health, Safety, Security and the Environment (HSSE) to its operations.

For the period under review, the strict adherence to HSSE procedures was manifested in the absence of lost time injuries and major incident/accidents. This performance was primarily due to a strong HSSE culture and comprehensive safety management system, which was supported by continued compliance of international standards, adoption of best industry practices and a continuous process of risk evaluation and reduction.

During the year under review, the terminal received, stored and distributed a lower total volume of product than for the previous year. The terminal handled 3,940,817 barrels of petroleum products in the current year compared to 4,332,715 barrels in 2012. This decrease was due to a decline in importation of jet fuel, HFO, diesel and gasoline.

The terminal distributed 3,927,008 barrels of petroleum products or 391,898 barrels less than the volume imported in the current year of 4,202,837. This difference is reflected in the closing inventory.

The breakdown by product for storage and throughput volumes is presented in charts 16 and 17.

The terminal continued to observe international standards through ongoing audits, which have confirmed a high level of compliance.

During the first quarter of the year, the company commenced a project aimed at the full automation of the Oistins ship-to-shore operations. This project is expected to be completed in the next financial year, and would result in increased efficiency and an improvement in the discharge/handling of product.

In keeping with a continuous process of risk evaluation and reduction, the terminal implemented several capital improvements, which included the procurement of a subsea remotely operated submersible vehicle. This unit allows the company to inspect the tanker facilities prior to tanker arrivals.

The terminal continued to develop its laboratory facilities to enable it to conduct in-house product testing.

The 24-hour product delivery service from its loading bay, which was introduced in 2012 to the major oil companies, continued to operate efficiently. This service was effective at reducing the number of road tank wagons using the highways during peak hours.

In summary, the terminal operations were characterised by safety and efficiency for the year.

Chart 16

Volume of Product Stored by the Terminal

(For the years 2011 – 2013)

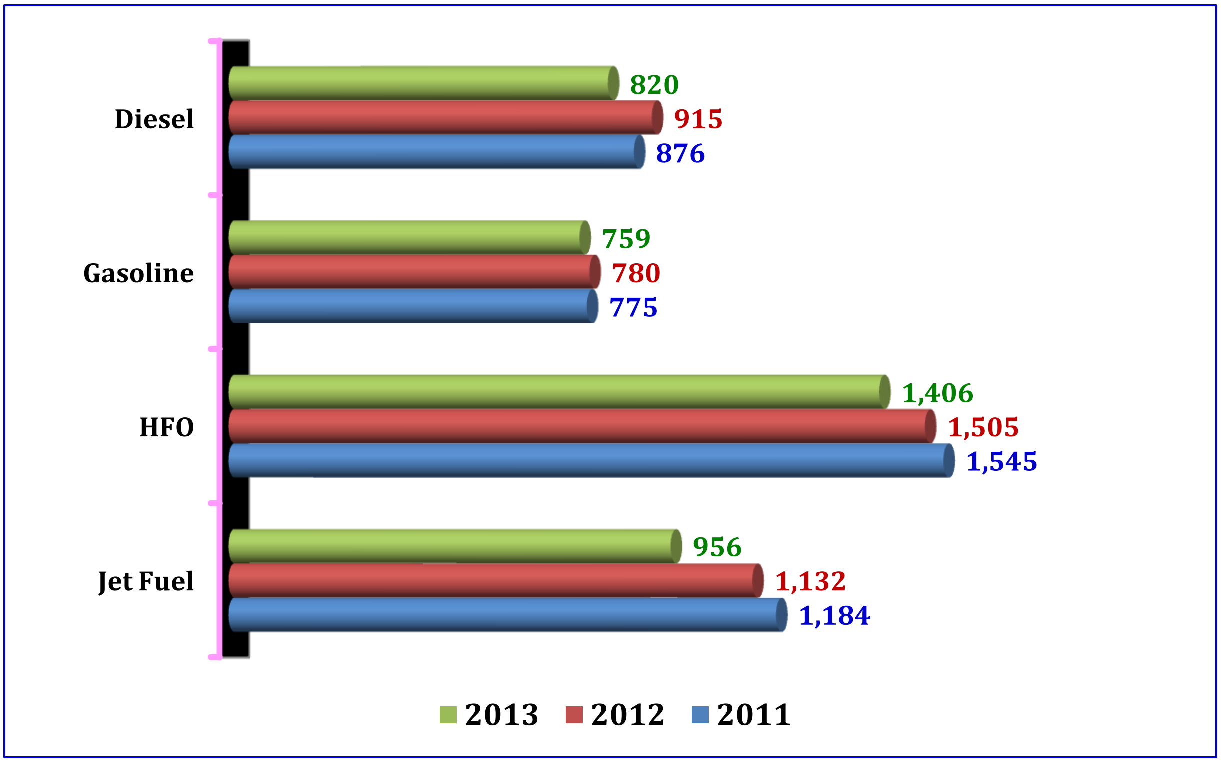
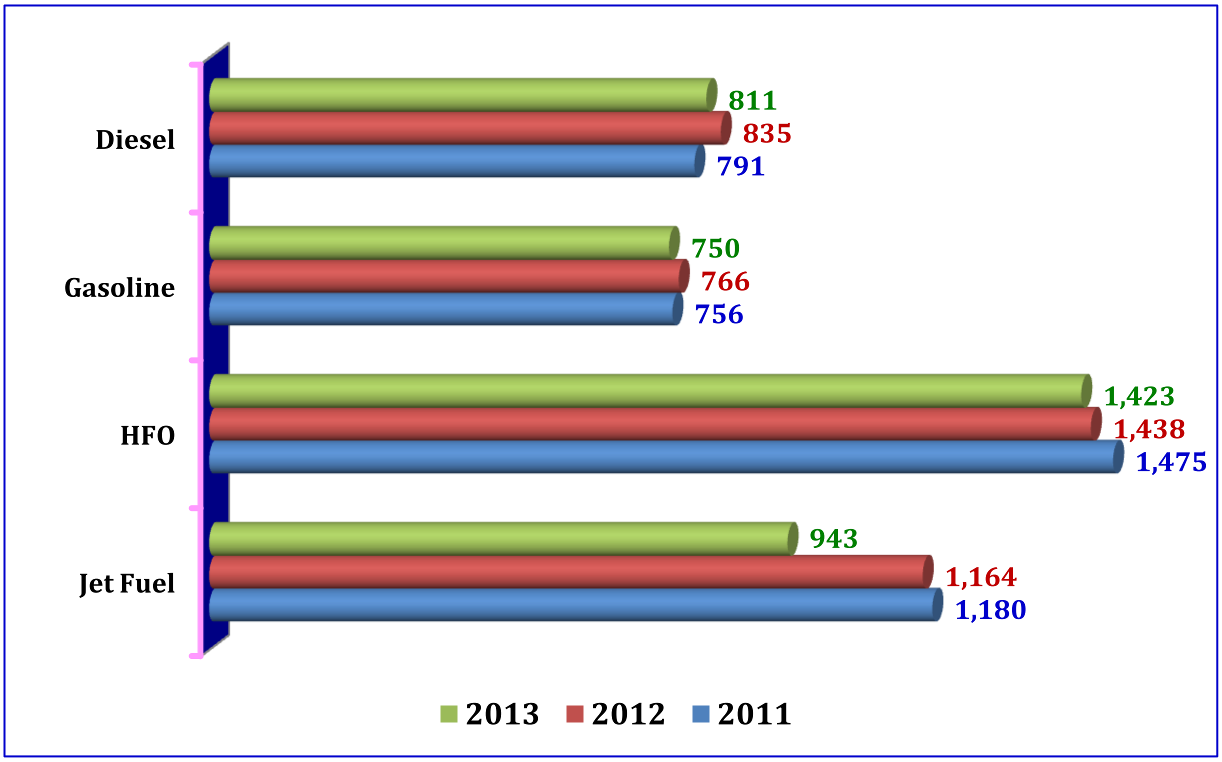


Chart 17

Throughput Volume of Product Handled by the Terminal – including Jet Fuel

(For the years 2011 – 2013)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Barbados National Oil Company Limited

We have audited the accompanying consolidated financial statements of **Barbados National Oil Company Limited**, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated 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 information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
T: +246-626-6700, F: 246-436-1275, www.pwc.com/bb

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Opinion

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

PricewaterhouseCoopers SRL

May 27, 2014
Bridgetown, Barbados

Consolidated Statement of Financial Position

As at March 31, 2013

(expressed in Barbados Dollars)

	2013 $	2012 $
Current assets		
Cash and cash equivalents (note 5)	**5,979,122**	37,303,304
Term deposits (note 6)	**183,489**	5,176,699
Debt service reserve (note 7)	**13,863,774**	11,721,581
Accounts receivable (note 9)	**92,258,143**	101,211,442
Due by related companies (note 10)	**15,926,761**	16,863,090
Inventories (note 12)	**82,879,379**	84,727,578
Prepaid expenses	**579,335**	299,901
	211,670,003	257,303,595
Current liabilities		
Bank overdraft (note 5)	**9,696,283**	–
Accounts payable and accrued liabilities (note 16)	**72,279,860**	113,872,977
Borrowings - current portion (note 7)	**34,197,873**	22,635,355
Due to Government of Barbados (note 17)	**10,200,000**	10,200,000
Corporation tax payable	**1,214,910**	–
	127,588,926	146,708,332
Working capital surplus	**84,081,077**	110,595,263
Financial investments (note 11)	**14,920,211**	14,000,000
Inventories (note 12)	**159,507**	661,774
Investment in associated company (note 13)	**838,577**	1,173,126
Property, plant and equipment (note 14)	**200,261,495**	195,703,117
Deposit on plant and equipment (note 15)	**436,545**	507,169
Provision for abandonment (note 18)	**(27,929,997)**	(28,519,997)
Due from Government of Barbados (note 19)	**2,219,345**	2,219,345
Employee benefits (note 20)	**(895,446)**	(905,457)
Borrowings (note 7)	**(160,997,603)**	(211,990,001)
Deferred tax liability (note 21)	**(1,372,359)**	(1,243,482)
Net assets	**111,721,352**	82,200,857
Represented by:		
Equity		
Share capital (note 22)	**41,014,809**	41,014,809
Retained earnings	**70,706,543**	41,186,048
	111,721,352	82,200,857

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2013
(expressed in Barbados Dollars)

	Share capital $	Retained earnings $	Total $
Balance at March 31, 2011 - as restated	41,014,809	4,006,896	45,021,705
Comprehensive income			
Net and total comprehensive income for the year	–	53,735,443	53,735,443
Dividend declared (note 22)	–	(16,556,291)	(16,556,291)
Balance at March 31, 2012	41,014,809	41,186,048	82,200,857
Comprehensive income			
Net and total comprehensive income for the year	–	29,520,495	29,520,495
Balance at March 31, 2013	**41,014,809**	**70,706,543**	**111,721,352**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

As at March 31, 2013

(expressed in Barbados Dollars)

	2013 $	2012 $
Revenue		
Upstream revenue (note 23)	**3,763,283**	3,699,675
Refined products sales	**782,380,571**	804,593,370
Terminal throughput fees	**8,202,486**	9,079,176
	794,346,340	817,372,221
Operating costs		
Cost of goods sold - refined products	**702,813,012**	704,300,685
Facilities leasing costs (note 29)	**3,342,533**	3,357,511
Terminal operating costs	**6,268,370**	4,647,734
Depreciation and depletion (note 14)	**13,529,833**	11,112,518
Royalties	**7,165,857**	8,609,019
Increase in provision for inventory obsolescence (note 12)	**2,322,295**	250,000
	735,441,900	732,277,467
Gross profit	**58,904,440**	85,094,754
General and administrative expenses	**(13,735,322)**	(11,743,271)
Interest expense (note 7)	**(14,680,914)**	(15,686,395)
Operating profit	**30,488,204**	57,665,088
Other income/(expenses) (note 24)	**966,990**	(127,887)
Realized loss on derivative financial instruments (note 8)	**–**	(3,728,152)
	966,990	(3,856,039)
Income before undernoted item and taxation	**31,455,194**	53,809,049
Share of loss of associated company (note 13)	**(334,549)**	(53,777)
Income before taxation	**31,120,645**	53,755,272
Taxation (note 21)	**(1,600,150)**	(19,829)
Net and total comprehensive income for the year	**29,520,495**	53,735,443

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31, 2013
(expressed in Barbados Dollars)

	2013 $	2012 $
Cash flows from operating activities		
Net income for the year before tax	**31,120,645**	53,755,272
Adjustments for:		
Depreciation and depletion	**13,529,833**	11,112,518
Provision for inventory obsolescence	**(2,322,295)**	250,000
Pension plan expense	**700,714**	1,360,780
Share of loss of associated company	**334,549**	53,777
Interest expense	**14,680,914**	15,686,395
Interest income	**(1,460,323)**	(1,007,811)
Gain on disposal of property, plant and equipment	**(66,808)**	(84,681)
Realized loss on derivative financial instrument	**–**	(3,728,152)
Amortisation of inventories	**590,393**	536,609
Amortisation of bond issue cost	**245,105**	462,450
Operating income before working capital changes	**57,352,727**	78,397,157
Decrease/(increase) in accounts receivable	**8,953,299**	(29,334,967)
Decrease/(increase) in amount due by related companies	**936,329**	(1,028,651)
Decrease/(increase) in inventories	**4,170,494**	(20,895,526)
(Increase)/decrease in prepaid expenses	**(279,434)**	390,219
(Decrease)/increase in accounts payable and accrued liabilities	**(41,593,117)**	45,550,460
Increase in well abandonment provision	**(590,000)**	(15,559,997)
Cash from operations	**28,950,298**	57,518,695
Interest paid	**(14,755,827)**	(13,214,410)
Income taxes paid	**(248,732)**	(497,464)
Pension plan contributions paid	**(710,725)**	(719,818)
Interest received	**1,452,692**	1,007,811
Net cash generated from operating activities	**14,687,706**	44,094,814
Cash flows from investing activities		
Purchases of property, plant and equipment	**(18,112,617)**	(31,045,583)
Transfer deposit on plant and equipment	**70,624**	–
Proceeds from disposal of property, plant and equipment	**66,808**	84,681
Adjustment of property, plant and equipment	**24,406**	–
Sale of inventory - tank heels	**57,260**	156,171
Purchase of inventory - tank heels	**(145,386)**	(507,169)
Interest received	**(6,790)**	–
Increase in short term deposits	**5,000,000**	(1,003,541)
Net cash used in investing activities	**(13,045,695)**	(32,315,441)
Carried forward	**1,642,011**	11,779,373

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows ... *continued*

As at March 31, 2013

(expressed in Barbados Dollars)

	2013 $	2012 $
Brought forward	**1,642,011**	11,779,373
Cash flows from financing activities		
Decrease in derivative financial instruments	**–**	7,600,010
Repayment of borrowings	**(43,770,933)**	(35,912,367)
Debt service reserve	**(2,142,193)**	(4,039,002)
Proceeds from borrowings	**4,170,861**	64,016,453
Purchase of debt securities	**(6,000,000)**	–
Redemption of debt securities	**5,079,789**	–
Net cash (used in)/generated from financing activities	**(42,662,476)**	31,665,094
Net (decrease)/increase in cash and cash equivalents and bank overdraft	**(41,020,465)**	43,444,467
Cash and cash equivalents, less bank overdraft - beginning of year	**37,303,304**	(6,141,163)
Cash and cash equivalents, less bank overdraft - end of year (note 5)	**(3,717,161)**	37,303,304

The accompanying notes form an integral part of these financial statements.

Barbados National Oil Company Limited

Notes to Consolidated Financial Statements

March 31, 2013

(expressed in Barbados Dollars)

(expressed in Barbados Dollars)

1. General information

The Company is incorporated under the Laws of Barbados. The common shares are 75.48% owned by the Government of Barbados and 24.52% by the National Petroleum Corporation.

The principal activities of Barbados National Oil Company Limited ("the parent company" or "BNOCL") and its Subsidiaries ("the Group") are the exploration and production of the onshore hydrocarbon potential of Barbados and the importation, storage and supply of petroleum products to the Barbados market.

2. Significant accounting policies

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

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention. The preparation of consolidated 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

i) New and amended standards adopted by the Group

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

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

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

2. Significant accounting policies *…continued*

a) Basis of preparation *…continued*

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

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

b) Basis of consolidation

These financial statements consolidate the accounts of BNOCL and its wholly-owned subsidiary companies, Barbados National Oilfield Services Limited (BNOSL), Barbados National Terminal Company Limited (BNTCL) and Barbados National Oil Holding Company Limited (BNOHCL).

c) Revenue recognition

Upstream revenue represents the revenue from the production and sale of natural gas and is recognised on an accrual basis.

Refined product sales reflect the invoiced value of goods and services provided net of VAT and are recognised on an accrual basis. They also include the net refined value of crude oil produced.

Throughput fees reflect the invoiced value of storage fees for petroleum products net of VAT and are recognised on an accrual basis.

Interest income is interest earned from bank deposits and money market placements and is recognised on an accrual basis.

d) Investment in associated company

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates profits or losses is recognised in the statement of comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. Significant accounting policies …*continued*

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the price at which stock can be realised in the normal course of business, less incidental costs of transportation, storage and refining. Provision is made for obsolete or slow moving items. Non-current inventory represents tank heels and can only be sold when tanks are emptied. Amortisation of tank heels is charged over 3 - 5 years depending on the product.

f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. 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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Building	-	3 - 30 years
Furniture and office equipment	-	3 - 5 years
Motor vehicles	-	4 - 5 years
Well equipment	-	15 years
Natural Gas Compression facilities	-	10 years
Seismic cost	-	10 years
Production and operating equipment	-	10 years
Pipelines and terminal	-	35 years

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount. These are included in the consolidated statement of comprehensive income.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each consolidated statement of financial position date. 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.

2. Significant accounting policies …*continued*

g) Intangible drilling costs and depletion

Intangible drilling costs are capitalised in these consolidated financial statements under the successful efforts method of accounting.

Intangible drilling costs including the cost of provision for abandonment and hydrocarbon lease interests are amortised on the basis of the existing production of hydrocarbons at January 1, 1997 plus the Group's share of incremental production for the year relative to the total proven developed reserves of hydrocarbons at January 1, 1997 and incremental reserves developed subsequent to this date, using a combination of the Decline Curve Analysis and the Empirical Volumetric calculations based on log analysis techniques.

h) Foreign currency translation

i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Barbados dollars, which is the Group's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions and balances are translated into the functional currency using 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2. Significant accounting policies …*continued*

i) Employee benefits

The Group operates a defined benefit pension plan on behalf of the employees, the assets of which are held in a segregated fund. The pension plan is funded by payments from employees and the Group, taking into account the recommendations of independently qualified actuaries.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long-term government securities. All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the consolidated statement of income over ten years being less than the employees' expected average remaining working lives. Past service costs are recognised immediately in the consolidated statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

j) Provisions

Provisions for abandonment are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, and are shown in the consolidated statement of comprehensive income.

k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are presented in current liabilities on the consolidated statement of financial position.

l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of the provisions is recognised in the consolidated statement of comprehensive income.

2. Significant accounting policies …*continued*

m) Taxation

Taxation expense in the consolidated statement of comprehensive income comprises current tax charges.

Current tax charges are based on taxable income for the year, which differ from the income before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at consolidated statement of financial position date.

The Group follows the liability method of accounting for deferred tax.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

n) 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 consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are expensed.

o) Provision for abandonment

A provision is established towards the cost of returning the surface location of each successful well to its original condition. The cost is included as part of the intangible drilling costs and depleted over the production life of the well.

p) Royalty expense

Royalty expense is charged by the Government of Barbados at a rate of 12.5% on the sale of crude oil and natural gas. The basis is in accordance with the substance of the relevant agreements.

2. Significant accounting policies …*continued*

q) Trade payables

Trade payables 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.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

r) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Trading derivatives are classified as a current asset or liability.

s) Impairment of non-financial assets

Fixed assets and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

t) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3. Critical accounting judgements and key sources of estimation uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated impairment of assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in the significant accounting policies section. The recoverable amounts of some assets have been determined based on value-in-use calculations. These calculations require the use of estimates.

3. Critical accounting judgements and key sources of estimation uncertainty …*continued*

b) Depletion of intangible drilling and development costs

The Group makes provisions for the depletion of its intangible drilling and development costs as stated in Note 14. Judgement is required in determining the level of depletion based on the expected production from the Group's well reserves.

c) Employee benefits

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are disclosed in Note 20. Any changes in these assumptions will impact the carrying amount of pension obligations or assets.

d) Provision for abandonment

A provision is established towards the cost of returning the surface location of each successful well to its original condition as stated in Note 18. Judgement is required in determining the provision based on the remedial cost of each well.

e) Provision for obsolescence

The Group make provisions for obsolete inventory as disclosed in note 12. Judgement is required in determining the level of provision based on the age and future use of the inventory item.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, market risk (including currency risk, cash flow and fair value interest rate risk) and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

4. Financial risk management …*continued*

Risk management is carried out by the management team through continuous review of Group performance.

a) Market risk

i) Foreign exchange risk

The Group is not exposed to significant foreign exchange risk. Foreign currency transactions are primarily from petroleum product purchases and maintenance of the terminal facility.

These transactions have been formally fixed to United States dollars (US$) to mitigate exposure to fluctuations in foreign currency exchange rates, where the Barbados dollar and United States dollar are fixed 2:1.

ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2013 and 2012, the Group's borrowings at variable rate were denominated in the Barbados dollar and United States dollar.

At March 31, 2013, 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 $232,284 (2012 - $200,000) lower or higher, mainly as a result of higher or lower finance costs on floating rate borrowings.

(expressed in Barbados Dollars)

4. Financial risk management …*continued*

b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group's credit risk arises from cash and cash equivalents, deposits with financial institutions as well as credit exposure to customers and other receivable.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history, financial position, credit quality and other factors. Sales balances due from customers are settled in cash. Deposits are placed only with well known banks and financial institutions.

The maximum credit risk exposure is as follows:

	2013 $	2012 $
Cash and bank balances	**5,979,122**	37,303,304
Term deposits	**183,489**	5,176,699
Debt service reserve fund	**13,863,774**	11,721,581
Accounts receivable	**92,258,143**	101,211,442
Due by related companies	**15,926,761**	16,863,090
	128,211,289	172,276,116

(expressed in Barbados Dollars)

4. Financial risk management …*continued*

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet reasonable expectations of its short term obligation. Due to the dynamic nature of the underlying businesses, the Group's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total $
At March 31, 2013					
Bank overdraft	**9,696,283**	**–**	**–**	**–**	**9,696,283**
Secured bank loans	**11,585,478**	**21,524,268**	**35,966,488**	**31,508,999**	**100,585,233**
Secured bond issue	**34,606,466**	**47,954,444**	**44,820,875**	**26,652,213**	**154,033,998**
Trade and other payables	**70,507,709**	**–**	**–**	**–**	**70,507,709**
Due to Government of Barbados	**10,200,000**	**–**	**–**	**–**	**10,200,000**
Total liabilities	**136,595,936**	**69,478,712**	**80,787,363**	**58,161,212**	**345,023,223**
At March 31, 2012					
Secured bank loans	11,740,722	21,993,480	30,406,856	41,446,373	105,587,431
Secured bond issue	18,268,549	48,923,140	36,985,640	70,943,113	175,120,442
Trade and other payables	112,926,220	–	–	–	112,926,220
Due to Government of Barbados	10,200,000	–	–	–	10,200,000
Total liabilities	153,135,491	70,916,620	67,392,496	112,389,486	403,834,093

(expressed in Barbados Dollars)

4. Financial risk management …*continued*

c) Liquidity risk …*continued*

The table below analyses the Company's financial assets into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date.

	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total $
At March 31, 2013					
Cash and cash equivalents	**5,979,122**	**–**	**–**	**–**	**5,979,122**
Term deposits	**183,489**	**–**	**–**	**–**	**183,489**
Debt service reserve	**13,863,774**	**–**	**–**	**–**	**13,863,774**
Accounts receivable	**90,228,501**	**–**	**–**	**–**	**90,228,501**
Due by related companies	**13,074,768**	**2,851,993**	**–**	**–**	**15,926,761**
Financial investments	**14,920,211**	**–**	**–**	**–**	**14,920,211**
Assets held for managing liquidity	**138,249,865**	**2,851,993**	**–**	**–**	**141,101,858**
At March 31, 2012					
Cash and cash equivalents	37,303,304	–	–	–	37,303,304
Term deposits	5,176,699	–	–	–	5,176,699
Debt service reserve	11,721,581	–	–	–	11,721,581
Accounts receivable	99,181,800	–	–	–	99,181,800
Due by related companies	10,998,077	5,865,013	–	–	16,863,090
Financial investments	14,000,000	–	–	–	14,000,000
Assets held for managing liquidity	178,381,461	5,865,013	–	–	184,246,474

Capital risk management

The Group's objective is to provide returns to its shareholders and benefits to other stakeholders and to reduce operating cost.

The Group uses the gearing ratio to monitor capital. This ratio is calculated as net debt divided by total capital. Net debt is current borrowings less cash. Total capital is shareholders' equity plus net debt.

(expressed in Barbados Dollars)

5. Cash, cash equivalents and bank overdraft

	2013 $	2012 $
Cash and cash equivalents	**5,979,122**	37,303,304
Bank overdraft	**(9,696,283)**	–
	(3,717,161)	37,303,304

The bank overdraft is secured by a legal mortgage of $30M over all the assets of the BNOC and assignment of an insurance policy over stock held at BNTCL.

The interest rate on the overdraft is based on the minimum savings rate plus 3.75% per annum. The effective rate in 2013 applicable to the facility at the consolidated statement of financial position was 6.25% (2012 - 6.25%).

6. Term deposits

	2013 $	2012 $
Term deposits	**183,489**	5,176,699

Term deposits have maturities of 6 months or less and bear interest at 2.60% to 2.85% (2012 - 2.60% to 3.37%).

(expressed in Barbados Dollars)

7. Borrowings

	2013 $	2012 $
i) Barbados National Oil Company Limited	**87,278,110**	117,586,604
ii) Barbados National Terminal Company Limited	**107,917,366**	117,038,752
	195,195,476	234,625,356
Less: Current portion	**(34,197,873)**	(22,635,355)
Long-term portion	**160,997,603**	211,990,001

i) Barbados National Oil Company Limited

Bond issue

On January 16, 2010, a Trust Deed agreement was executed between the company and BNB Finance & Trust Corporation (BNB), to raise the aggregate sum of $160M comprising BDS$ and US$ bonds for the purpose of financing the company's short and medium term obligations.

Bonds are tenured over a period of 3 - 9 years in five services at fixed and floating rates:

i) Series 1 - BDS$25M with interest rate of 5.25% per annum and matured on December 31, 2012.
ii) Series 2 - US$25M with interest rate of 5.75% per annum and matures on December 31, 2014.
iii) Series 3 - BDS$25M with interest rate of 6.375% per annum and matures on December 31, 2016.
iv) Series 4 - BDS$20M with interest rate of 6.75% per annum and matures on December 31, 2019.
v) Series 5 - US$20M with interest rate of 7.25% per annum for the first 3 years and thereafter a determined rate at 0.5% above the interest rate for US$ Bonds issued by the Government of Barbados with similar maturity and risk.

The bond issue comprises of:

	2013 $	2012 $
a) Fixed rate bonds - BD$	**30,188,785**	45,765,409
b) Floating rate bonds - US$	**57,942,913**	72,895,769
	88,131,698	118,661,178
Less issue costs	**(853,588)**	(1,074,574)
	87,278,110	117,586,604

(expressed in Barbados Dollars)

7. Borrowings *...continued*

i) Barbados National Oil Company Limited *...continued*

Bond issue *...continued*

	2013 $	2012 $
Non-current		
a) Fixed rate bonds - BD$/US$	**37,482,539**	74,979,137
b) Floating rate bonds - US$	**26,591,254**	31,048,233
	64,073,793	106,027,370
Less issue costs	**(853,588)**	(1,074,574)
	63,220,205	104,952,796
Current		
a) Fixed rate bonds - BDS$/US$	**20,460,374**	10,090,231
b) Floating rate bonds - US$	**3,597,531**	2,543,577
	24,057,905	12,633,808
	87,278,110	117,586,604

The Bonds are secured by a charge over the Debt Service Reserve Account and a guarantee by the Government of Barbados in favour of the Trustee.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2013 $	2012 $	2013 $	2012 $
Borrowings	**64,073,793**	106,027,370	**96,551,014**	123,844,180

The fair value of current borrowings approximates their carrying values as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the latest bond rates which range from 4% to 6.22% (2012 - 4% to 6.22%).

Debt Service Reserve Account

The Company is required to maintain a Debt Service Reserve Account in an amount equal to the total amount of scheduled principal payments plus interest due and payable on each payment date for the next twelve months on the outstanding bonds.

(expressed in Barbados Dollars)

7. Borrowings *...continued*

ii) Barbados National Terminal Company Limited

	2013 $	2012 $
Non-current		
a) Fixed rate bond	**31,250,000**	33,750,000
b) Bank borrowings	**49,583,333**	53,472,222
c) Bank borrowings	**16,944,065**	19,814,983
	97,777,398	107,037,205
Current		
Borrowings	**10,139,968**	10,001,547
Total borrowings	**107,917,366**	117,038,752

The maturity of the non-current borrowings is as follows:

	2013 $	2012 $
1 - 2 years	**20,548,607**	16,467,262
2 - 5 years	**35,701,009**	41,168,156
Over 5 years	**41,527,782**	49,401,787
	97,777,398	107,037,205

Borrowings include:

a) A fixed rate $50,000,000 Bond 2004 - 2026 with interest payable semi annually in arrears based on the outstanding principal, computed on a 360 day basis. The bond is secured by a Guarantee to the extent of $50,000,000 from the Government of Barbados.

The effective interest rates applicable to this bond are as follows:

First 2 years	5.75%
Next 5 years	6.25%
Next 5 years	6.75%
Next 5 years	7.00%
Last 5 years	7.25%

The bond initially had a 2 year moratorium on principal payments, then equal semi-annual payments of principal. Interest is payable semi-annually in arrears based on outstanding principal. Repayment of principal on this bond commenced on December 11, 2006.

(expressed in Barbados Dollars)

7. Borrowings *...continued*

ii) Barbados National Terminal Company Limited *...continued*

b) Interest on the loan is payable monthly in arrears at minimum saving rate (MSR) plus 3.75% based on the outstanding principal, computed on a 365 day basis. The loan is secured by a Guarantee to the extent of $70,000,000 from the Government of Barbados. The effective rate applicable to this loan at the consolidated statement of financial position date was 6.25% (2012 - 6.25%).

The loan is repayable with equal quarterly principal payments of $972,222. Repayment of principal commenced on December 24, 2008.

c) Interest on the loan is payable monthly in arrears at the latest 10 year government paper rate plus 0.75%, which is subject to annual reset, based on the blended principal and interest computed on a 360 day basis. The loan is secured by a first legal debenture over the fixed and floating assets of Barbados National Terminal stamped to cover $100,000,000, with a specific charge over land, buildings and terminal facility at Fairy Valley. The effective rate applicable to this loan at consolidated statement of financial position was 7.625% (2012 - 7.0%).

$73,332,924 of the Company's borrowings is exposed to interest rate changes as at the consolidated statement of financial position date.

8. Derivative financial instruments

2012

Product type	**Notional quantity**	**Premium paid $**	**Fair value $**	**Realised loss $**
Fuel oil	40,000 barrels	1,516,320	66,440	1,449,880
Gasoline	630,000 gallons	1,511,764	228,577	1,283,187
Diesel	630,000 gallons	995,085	–	995,085
		4,023,169	295,017	3,728,152

There were no derivative transactions during the year ended March 31, 2013. During the year ended March 31, 2012, the company entered into a call option contract with CIBC FirstCaribbean International Bank (Barbados) Limited whereby, for the payment of a premium, the company had the right to purchase a notional quantity of its petroleum products at the lower of market price or strike price for a period of three months up to July 31, 2011. These options were settled below the strike price at market price resulting in a loss of premium of $3,728,152 as disclosed in the statement of comprehensive income.

(expressed in Barbados Dollars)

9. Accounts receivable

	2013 $	2012 $
Trade receivables - net	**69,807,905**	87,468,568
Loan receivable	**2,029,642**	2,029,642
Duty prepaid	**11,283,138**	7,573,729
VAT receivable	**6,643,553**	2,427,218
Other receivable	**2,493,905**	1,712,285
	92,258,143	101,211,442

Loans receivable represents an advance to the Ministry of Energy and Environment, which was unsecured, interest free and has no stated date of repayment.

Trade receivables that are less than 30 days past due are not considered impaired. As of March 31, 2013, trade receivables of $6,128,717 (2012 - $3,654,746) were past due but not impaired. The trade receivables relate to customers for whom there is no history of default. The aging analysis of the receivable is as follows:

	2013 $	2012 $
Less than 30 days	**50,052,064**	45,155,171
30 - 60 **days**	**11,297,064**	37,316,041
61 - 90 **days**	**886,114**	374,207
Over 90 days	**7,572,663**	4,623,149
Total receivable	**69,807,905**	87,468,568

The other classes within accounts receivable and prepayments do not contain impaired assets.

The maximum exposure to credit risk at March 31, 2013 is the fair value of each class of receivable mentioned above, which approximates their carrying values. The Group does not hold any collateral as security.

(expressed in Barbados Dollars)

10. Related party transactions

Due by related companies:

	2013 $	2012 $
National Petroleum Corporation (NPC) (i)	**6,860,790**	10,829,750
Asphalt Processors Inc. (ii)	**9,065,971**	6,033,340
	15,926,761	16,863,090

i) The amount due by NPC is normally payable within 30 days of the invoice date. However a special arrangement has been agreed with NPC for the payment of a fixed monthly amount.

ii) The amount due from Asphalt Processors Inc. arises from sale transactions and is unsecured and bears no interest.

11. Financial investments

	2013 $	2012 $
Available for sale		
Debt securities (unlisted)	**14,920,211**	14,000,000
Made up as follows:		
Barbados Agricultural Management Co. Ltd - Bond	**9,420,000**	14,000,000
Transport Board - Bond	**5,500,211**	–

	2013 $	2012 $
Balance - beginning of year	**14,000,000**	13,000,000
Purchase of debt securities	**6,000,000**	1,000,000
Disposal of financial assets	**(5,079,789)**	–
Balance - end of year	**14,920,211**	14,000,000

(expressed in Barbados Dollars)

12. Inventories

	2013 $	2012 $
Refined products	**47,101,203**	52,610,255
Crude oil	**18,610,092**	15,788,479
Materials	**25,424,564**	23,423,262
Goods in transit	**700,966**	43,000
	91,836,825	91,864,996
Less: non-current portion - tank heel	**(159,507)**	(661,774)
	91,677,318	91,203,222
Less: provision for obsolescence on materials	**(8,797,939)**	(6,475,644)
	82,879,379	84,727,578

Non-current inventory represents cost of petroleum products owned by BNTCL. These are tank heels and can only be sold when tanks are emptied. The balance is being amortised using a straight line basis over a three - five year period when it is expected that the tanks will be cleaned and replenished.

13. Investment in associated company

	2013 $	2012 $
Equity value of investment - beginning of year	**1,173,126**	1,226,903
Share of loss of associated company for the year	**(334,549)**	(53,777)
Equity value of investment - end of year	**838,577**	1,173,126

The Group has a 30.40% interest in the associated company, Asphalt Processors Inc., a company incorporated in Barbados.

(expressed in Barbados Dollars)

14. Property, plant and equipment

	Land, buildings & leasehold improvements $	Furniture, fittings and office equipment $	Motor vehicles $	Well equipment $	LPG processing facilities $	Seismic cost $	Production and operation equipment $	Intangible drilling and development cost $	Construction in progress $	Total $
At March 31, 2011										
Cost	10,772,461	3,165,073	3,088,850	34,355,957	10,257,428	1,005,385	148,488,739	136,270,513	6,791,235	354,195,641
Accumulated depreciation	(3,704,121)	(2,653,274)	(2,138,868)	(28,761,293)	(10,257,428)	(910,877)	(37,797,138)	(107,606,315)	–	(193,829,314)
Net book amount	7,068,340	511,799	949,982	5,594,664	–	94,508	110,691,601	28,664,198	6,791,235	160,366,327
Year ended March 31, 2012										
Opening net book amount	7,068,340	511,799	949,982	5,594,664	–	94,508	110,691,601	28,664,198	6,791,235	160,366,327
Additions	1,925,494	219,538	903,178	3,467,563	–	36,408	2,728,109	20,781,266	983,927	31,045,483
Transfer to deposit on plant and equipt.	–	–	–	–	–	–	–	–	(156,171)	(156,171)
Transfers	5,721,538	–	–	–	–	–	63,670	–	(5,785,208)	–
Increase in provision for abandonment	–	–	–	–	–	–	–	15,559,997	–	15,559,997
Disposals - cost	–	–	(453,136)	–	–	–	–	–	–	(453,136)
Accumulated Dep. on disposals	–	–	453,135	–	–	–	–	–	–	453,135
Depreciation and depletion charges	(429,663)	(192,309)	(362,097)	(539,173)	–	(30,028)	(5,354,046)	(4,205,202)	–	(11,112,518)
Closing net book amount	14,285,709	539,028	1,491,062	8,523,054	–	100,888	108,129,334	60,800,259	1,833,783	195,703,117
At March 31, 2012										
Cost	18,419,493	3,384,611	3,538,892	37,823,520	10,257,428	1,041,793	151,280,518	172,611,776	1,833,783	400,191,814
Accumulated depreciation	(4,133,784)	(2,845,583)	(2,047,830)	(29,300,466)	(10,257,428)	(940,905)	(43,151,184)	(111,811,517)	–	(204,488,697)
Net book amount	14,285,709	539,028	1,491,062	8,523,054	–	100,888	108,129,334	60,800,259	1,833,783	195,703,117

(expressed in Barbados Dollars)

14. Property, plant and equipment ... *continued*

	Land, buildings & leasehold improvements $	Furniture, fittings and office equipment $	Motor vehicles $	Well equipment $	LPG processing facilities $	Seismic cost $	Production and operation equipment $	Intangible drilling and development cost $	Construction in progress $	Total $
Year ended March 31, 2013										
Opening net book Amount	14,285,709	539,028	1,491,062	8,523,054	–	100,888	108,129,334	60,800,259	1,833,783	195,703,117
Additions	774,490	246,835	872,351	1,083,327	47,223	–	1,815,005	13,003,780	269,606	18,112,617
Transfers	–	–	–	–	1,002,766	–	191,954	–	(1,219,126)	(24,406)
Increase in provision for abandonment										
Disposals - cost	–	–	(396,756)	–	–	–	–	–	–	(396,756)
Accumulated Dep. on disposals	–	–	396,756	–	–	–	–	–	–	396,756
Depreciation and depletion charges	(603,649)	(211,086)	(499,438)	(671,388)	(77,867)	(7,895)	(5,563,827)	(5,894,683)	–	(13,529,833)
Closing net book Amount	**14,456,550**	**574,777**	**1,863,975**	**8,934,993**	**972,122**	**92,993**	**104,572,466**	**67,909,356**	**884,263**	**200,261,495**
At March 31, 2013										
Cost	19,193,983	3,631,446	4,014,487	38,906,847	11,307,417	1,041,793	153,287,477	185,615,556	884,263	417,883,269
Accumulated depreciation	(4,737,433)	(3,056,669)	(2,150,512)	(29,971,854)	(10,335,295)	(948,800)	(48,715,011)	(117,706,200)	–	(217,621,774)
Net book amount	**14,456,550**	**574,777**	**1,863,975**	**8,934,993**	**972,122**	**92,993**	**104,572,466**	**67,909,356**	**884,263**	**200,261,495**

(expressed in Barbados Dollars)

15. Deposit on plant and equipment

In the current financial year, deposits were made on equipment for access control, CCTV upgrade, pumps, evaporator gum bath.

16. Accounts payable and accrued liabilities

	2013 $	2012 $
Trade payables	**55,324,492**	84,731,570
Excise tax payable	**83,480**	83,480
VAT payable	**1,609,148**	680,026
Accrued expenses	**15,143,853**	28,235,066
Other payables	**118,887**	142,835
	72,279,860	113,872,977

17. Due to Government of Barbados

The Group received a loan of $10,200,000 from the Government of Barbados to facilitate the remediation of the Needham's Point site at Gravesend, St. Michael. The loan is interest free and repayable on demand.

18. Provision for abandonment

	2013 $	2012 $
Balance at beginning of year	**28,519,997**	12,960,000
(Decrease)/increase in provisions for the year (note 14)	**(590,000)**	15,559,997
Balance at end of year	**27,929,997**	28,519,997

The Group has made a provision for costs estimated to be $125,000 per well which is required to return the surface location of existing wells (including those on which joint operations were done) to their original condition. During the year the Group decreased the provision by $590,000 as these wells were already accounted for by the parent company. If management's estimate were to change by 10% the provision would increase or decrease by $2,792,999.

(expressed in Barbados Dollars)

19. Due from funds

Gasoline/Diesel Offset

This balance was established on instruction from the Government of Barbados in its Total Retail Price Build-up for gasoline and diesel. By this arrangement, $0.20 per litre is charged to the price of gasoline and $0.23 per litre is deducted from the price of diesel. These amounts are intended to cancel each other. The balance resulted from variances in the actual volumes of gasoline and diesel consumed. This amount is due from the Government of Barbados.

	2013 **$**	**2012** **$**
Balance at beginning and end of year	**2,219,345**	2,219,345

20. Employee benefits

The Parent Company and one of its subsidiary companies operate defined benefit pension plans for their employees under segregated fund policies with Sagicor Life Inc. The plans are valued triennially by independent actuaries.

In respect of the defined benefit plans operated by the Group, the amounts recognised in the consolidated statement of financial position are as follows:

	2013 **$**	**2012** **$**
Fair value of plan assets	**10,627,822**	9,090,182
Present value of funded obligations	**(12,572,610)**	(9,816,416)
	(1,944,788)	(726,234)
Unrecognised actuarial gain	**1,049,342**	(179,223)
Net liability in the consolidated statement of financial position	**(895,446)**	(905,457)

(expressed in Barbados Dollars)

20. Employee benefits *...continued*

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

	2013 $	2012 $
Present value of obligation - beginning of year	**9,816,416**	7,714,919
Interest cost	**813,135**	643,742
Current service cost (including voluntary contributions)	**866,256**	773,055
Past service cost - vested benefits	**–**	871,431
Benefits paid	**(54,782)**	(30,270)
Actuarial loss/(gain) on obligation	**1,131,585**	(156,461)
Present value of obligation - end of year	**12,572,610**	9,816,416

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

	2013 $	2012 $
Fair value of plan assets - beginning of year	**9,090,182**	8,001,940
Expected return on plan assets	**738,682**	656,878
Contributions - total	**937,181**	978,083
Benefits paid	**(54,782)**	(30,270)
Actuarial loss on plan assets	**(83,441)**	(516,449)
Fair value of plan assets - end of year	**10,627,822**	9,090,182

Movements in the net liability recognised in the consolidated statement of financial position are as follows:

	2013 $	2012 $
Net liability at beginning of year	**(905,457)**	(264,495)
Net expense recognised in the statement of comprehensive income	**(700,714)**	(1,360,780)
Contributions paid	**710,725**	719,818
Net liability at end of year	**(895,446)**	(905,457)

(expressed in Barbados Dollars)

20. Employee benefits *...continued*

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

	2013 $	2012 $
Current service cost	**639,799**	514,791
Interest on obligation	**813,135**	643,742
Expected return on plan assets	**(738,681)**	(656,878)
Net actuarial gains recognised in the year	**(13,539)**	(12,306)
Past service cost	**–**	871,431
Total included in employee expenses	**700,714**	1,360,780
Actual return on plan assets	**655,240**	140,428

Plan assets are comprised as follows:

	2013	2012
Mortgages	**18%**	19%
Bonds	**50%**	49%
Equities	**20%**	20%
Real estate	**5%**	5%
Current assets and liabilities	**8%**	7%
	100%	100%

Expected contributions for the year ending March 31, 2014 are $875,846. The next full triennial valuation is due on April 1, 2016. Interim valuations are performed at each year end.

	2013 $	2012 $	2011 $	2010 $	2009 $
Present value of funded obligation	**(12,572,610)**	(9,816,416)	(7,714,919)	(7,725,032)	(6,548,272)
Fair value of plan assets	**10,627,822**	9,090,182	8,001,940	6,847,791	5,868,471
	(1,944,788)	(726,234)	287,021	(877,241)	(679,801)
Unrecognised actuarial gains	**1,049,342**	(179,223)	(551,516)	522,072	359,383
Deficit	**(895,446)**	(905,457)	(264,495)	(355,169)	(320,418)
Experience adjustments on plan liabilities	**1,131,585**	(156,461)	(1,277,483)	28,120	(21,638)
Experience adjustments on plan assets	**(83,441)**	(516,449)	(203,892)	(169,676)	(12,187)

(expressed in Barbados Dollars)

20. Employee benefits *...continued*

Principal actuarial assumptions at the consolidated statement of financial position date are as follows:

	2013	**2012**
Discount rate at end of year	**7.75%**	7.75%
Expected return on plan assets at end of year	**7.75%**	7.75%
Future promotional salary increases	**5.00%**	5.00%
Future pension increases	**1.00%**	0.00%
Proportion of employees opting for early retirement	**0.00%**	0.00%
Future inflationary salary increases	**2.00%**	2.00%
Future changes in NIS Ceiling	**4.25%**	4.25%
Mortality	**GAM 94**	GAM94

Based on management's preliminary assessment, when the company applies the amendments to IAS19 for the first time for the year ending March 31, 2014, net comprehensive income for the year ended March 31, 2013 would be decreased by $1,232,791 (April 1, 2012 - decrease in retained earnings of $209,689) with corresponding adjustments being recognised in retirement benefit obligation and income tax liability. This net effect reflects a number of adjustments, including their income tax effects: (a) a full recognition of actuarial gains/(losses) through other comprehensive income and decrease/increase in net pension deficit; (b) immediate recognition of past service cost in profit and loss and an increase in the net pension deficit and (c) reversal of the difference between gain arising from expected rate of return on pension plan assets and discount rate through other comprehensive income.

21. Taxation

Under the Petroleum Winning Operations Taxation Act, Cap. 82, the parent company is not subject to taxation on exploration revenue until its level of regular exports of petroleum average 10,000 barrels a day, measured over a period of 30 consecutive days, or until the expiration of a period of five years from the date on which petroleum was first regularly exported by the parent company, whichever is earlier. The parent company did not meet these criteria during the year.

The corporation tax charge for the year is comprised as follows:

	2013 **$**	**2012** **$**
Current tax	**1,471,273**	–
Deferred tax charge	**128,877**	21,171
Over provision of prior year current tax	**–**	(1,342)
	1,600,150	19,829

(expressed in Barbados Dollars)

21. Taxation *...continued*

The tax on the Group's profit before tax, differs from the theoretical amount that would arise using the statutory taxation rate of Barbados as follows:

	2013 $	2012 $
Net income before taxation	**31,120,645**	53,755,272
Tax calculated at statutory rate of 25% (2012 - 25%)	**7,780,161**	13,438,818
Tax effects of the following:		
Income not subject to tax under Petroleum Winnings Operations Taxation Act Cap. 82	**(2,225,093)**	(8,606,101)
Expenses not deductible for tax purposes	**1,710,486**	1,467,902
Decrease in deferred tax asset not recognised	**(5,375,698)**	(5,544,209)
Tax allowances	**(87,633)**	(15,513)
Prior year over provision - current and deferred tax	**(127,094)**	(375,650)
Gains not subject to tax	**83,638**	13,444
Commercial building allowance	**(12,500)**	(12,500)
Investment allowance	**(146,117)**	(346,362)
	1,600,150	19,829

The unrecognised deferred tax asset consists of the following components:

	2013 $	2012 $
Accelerated tax depreciation	**(12,938,927)**	(18,093,323)
Unutilized tax losses (note 25)	**100,547,820**	127,812,172
Inventory provision	**636,364**	500,000
Unpaid interest	**194,109**	194,109
Pension asset	**(40,864)**	223
	88,398,502	110,413,181
Deferred tax asset at 25% (2012 - 25%)	**22,099,626**	27,603,295

(expressed in Barbados Dollars)

21. Taxation *...continued*

The deferred tax asset has not been recognised due to the uncertainty of recoverability in future periods.

The deferred tax liability comprises as follows:

	2013 $	2012 $
Accelerated depreciation	**5,489,434**	(4,973,928)
Deferred tax liability at 25% (2012 - 25%)	**(1,372,359)**	(1,243,482)

The above temporary differences other than unutilised tax losses have no expiry date.

22. Share capital

Authorised
The parent company is authorised to issue an unlimited number of shares of no par value

Issued

	2013 $	2012 $
82,030 common shares	**41,014,809**	41,014,809

The shares are allotted as follows:

	2013 Number	2012 Number
Government of Barbados - common shares	**61,913**	61,913
National Petroleum Corporation - common shares	**20,117**	20,117
	82,030	82,030

Dividends declared

On March 28, 2012 the Board of Directors declared a dividend of $16,556,291 payable to its shareholders for the year ended March 31, 2012.

(expressed in Barbados Dollars)

23. Upstream revenue

Upstream revenue represents the Group's portion of the sales attributable to natural gas production. This revenue is comprised as follows:

	2013 $	2012 $
National Petroleum Corporation (a related party)	**3,763,283**	3,699,675

24. Other income/(expenses)

	2013 $	2012 $
Lease of property (note 29)	**(488,000)**	(488,000)
Interest income	**1,460,323**	1,007,811
Gain on disposal of property, plant and equipment	**66,808**	84,681
Other income/(expenses)	**515,884**	(177,099)
Amortisation of tank heels (note 12)	**(590,393)**	(536,609)
Other expenses - repair of pipeline at Oistins	**2,368**	(18,671)
	966,990	(127,887)

25. Tax losses

Accumulated tax losses which are available for set off against future taxable income for corporation tax purposes are as follows:

Year	Losses b/fwd. $	Adjustment $	Utilised $	Incurred $	Losses c/fwd. $	Expiry date
2006	20,931,237	(3,514)	(7,608,647)	–	13,319,076	2015
2007	15,157,703	–	–	–	15,157,703	2016
2008	13,803,537	–	(1,228,068)	–	12,575,469	2017
2009	77,913,390	–	(18,424,123)	–	59,489,267	2018
2012	6,305	–	–	–	6,305	2021
	127,812,172	(3,514)	(27,260,838)	–	100,547,820	

The tax losses are as computed by the Group’s companies in their corporation tax returns.

(expressed in Barbados Dollars)

26. Expenses by nature

	2013 $	2012 $
Petroleum products	**683,774,982**	683,911,430
Staff cost (note 27)	**14,027,932**	13,392,738
Repair and maintenance	**3,144,717**	931,451
Insurance	**2,851,571**	2,617,732
Utilities	**760,633**	831,544
Other	**11,988,499**	14,373,386
Total cost of sales and general and administrative expenses	**716,548,334**	716,058,281

27. Staff costs

Staff costs funded by the Group were as follows:

	2013 $	2012 $
Wages, salaries and bonus	**10,654,016**	9,938,625
Allowances	**610,739**	527,559
National insurance	**737,438**	740,097
Medical and other costs	**2,025,739**	2,186,457
	14,027,932	13,392,738
Number of persons employed by the Group at year end	**131**	145

28. Key management compensation

Key management compensation comprises senior management of the Group. Compensation to these individuals was as follows:

	2013 $	2012 $
Salaries and other short-term benefits	**1,661,224**	1,411,484

(expressed in Barbados Dollars)

29. Commitments

a. Operating lease commitments

In March 2005, Cabinet agreed to lease land situated at Coverley, Christ Church, Barbados, to the Company for the purpose of developing the new storage and terminal facility. The lease agreement is for a period of 50 years with an option to renew for a further 25 years at an annual rent of $488,000 per annum. The rent is to be reviewed every 5 years. During this financial year the Company accelerated payments in an effort to reduce the outstanding amount.

The movement in the lease for land is as follows:

	2013 $	2012 $
Balance - beginning of year	**985,333**	3,297,333
Annual rent	**488,000**	488,000
Payment	**(1,400,000)**	(2,800,000)
Balance - end of year	**73,333**	985,333

b. Facilities leasing costs

In March 2006, ESSO Standard Oil S.A. Limited (“ESSO”) and the Company negotiated an agreement whereby ESSO will provide storage and handling services to the Company for an initial period of at least 10 years. The services include the receiving, storage, handling and delivery of petroleum products in and out of ESSO’s Holborn Terminal located at Fontabelle, St. Michael at a standard fee rate of US$1.30 for each barrel of product delivered out of the terminal.

30. Contingent asset

In September 2005, there was an accident involving BNTCL’s pipelines at Oistins and its shipper. Currently, BNTCL is legally pursuing its claims against the shipper amounting to $1.2 million plus interest and incidental costs. The Group has not recognized this amount as an asset in the consolidated financial statements due to the uncertainty of its outcome.

Statement of Financial Position

As at March 31, 2013

(expressed in Barbados Dollars)

	2013 $	2012 $
Current assets		
Cash on hand and at bank (note 5)	**985,892**	32,081,996
Term deposits (note 6)	**183,489**	5,176,699
Debt service reserve (note 7)	**13,863,774**	11,721,581
Accounts receivable and prepayments (note 9)	**81,872,109**	92,603,877
Due from subsidiary companies (note 10)	**95,128,980**	85,085,197
Due from associated company (note 10)	**9,065,971**	6,033,340
Inventories (note 11)	**62,279,881**	65,949,646
	263,380,096	298,652,336
Current liabilities		
Bank overdraft (note 5)	**9,696,283**	–
Accounts payable and accrued liabilities (note 12)	**67,876,046**	106,588,070
Borrowings - current portion - (note 7)	**24,057,905**	12,633,808
	101,630,234	119,221,878
Working capital surplus	**161,749,862**	179,430,458
Financial investments (note 13)	**14,920,211**	14,000,000
Investments in subsidiary companies (note 14)	**1,002**	1,002
Investment in associated company (note 15)	**648,470**	648,470
Property, plant and equipment (note 16)	**33,286,565**	34,251,220
Deposit on plant and equipment (note 17)	**16,868**	230,199
Due from subsidiary companies (note 10)	**1,400,000**	1,400,000
Employee benefits (note 18)	**(936,310)**	(905,234)
Due to subsidiary company (note 10)	**(704,290)**	(3,214,095)
Provision for abandonment (note 19)	**(23,875,000)**	(23,875,000)
Due from Government of Barbados (note 20)	**2,219,345**	2,219,345
Borrowings - long term (note 7)	**(63,220,205)**	(104,952,796)
Net assets	**125,506,518**	99,233,569
Represented by:		
Equity		
Share capital (note 21)	**41,014,809**	41,014,809
Retained earnings	**84,491,709**	58,218,760
	125,506,518	99,233,569

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended March 31, 2013
(expressed in Barbados Dollars)

	2013 $	2012 $
Revenue (note 22)	**785,266,488**	808,221,636
Operating costs		
Cost of goods sold - refined products (note 25)	**728,598,182**	733,867,185
Subsidiary lifting costs (note 10)	**12,684,409**	11,301,904
Royalties	**4,587,990**	5,550,382
Depreciation and depletion (note 16)	**2,560,792**	2,371,375
Increase in provision for obsolescence for the year (note 11)	**136,364**	250,000
	748,567,737	753,340,846
	36,698,751	54,880,790
General and administrative expenses (note 25)	**(6,808,674)**	(5,107,816)
	29,890,077	49,772,974
Other income and expenses (note 26)	**3,945,163**	1,194,038
Realised loss on derivative financial instruments (note 8)	**–**	(3,728,152)
	3,945,163	(2,534,114)
Operating profit	**33,835,240**	47,238,860
Finance charges (note 7)	**(7,562,291)**	(7,798,274)
Income before taxation	**26,272,949**	39,440,586
Taxation (note 23)	**–**	–
Net and total comprehensive income	**26,272,949**	39,440,586

The accompanying notes form an integral part of these financial statements.

Barbados National Terminal Company Limited

Statement of Financial Position

As at March 31, 2013

(expressed in Barbados Dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash and cash equivalents (note 6)	**2,877,382**	2,725,484
Accounts receivable (note 7)	**453,854**	577,067
Inventories (note 8)	**519,170**	546,831
Prepaid expenses	**51,880**	85,113
Due from parent company (note 10)	**704,290**	3,214,095
Due from related party (note 10)	**1,512,355**	1,558,797
Corporation tax refundable	**7,631**	–
	6,126,562	8,707,387
Current liabilities		
Accounts payable and accrued liabilities (note 9)	**1,278,877**	2,413,057
Borrowings - current portion (note 13)	**10,139,968**	10,001,547
Due to Government of Barbados (note 14)	**10,200,000**	10,200,000
	21,618,845	22,614,604
Working capital deficiency	**(15,492,283)**	(13,907,217)
Inventories (note 8)	**159,507**	661,774
Employee benefits (note 21)	**40,864**	(223)
Property, plant and equipment (note 11)	**103,791,810**	108,514,155
Deposit on plant and equipment (note 12)	**419,677**	276,970
Borrowings - long-term (note 13)	**(97,777,398)**	(107,037,205)
	(8,857,823)	(11,491,746)
Represented by:		
Equity		
Share capital (note 16)	**1,000**	1,000
Accumulated deficit	**(8,858,823)**	(11,492,746)
	(8,857,823)	(11,491,746)

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended March 31, 2013
(expressed in Barbados Dollars)

	2013 $	2012 $
Revenue		
Through-put fees (note 10)	**29,372,001**	30,778,584
Direct cost		
Facilities lease (note 22(ii))	**(3,342,533)**	(3,357,511)
Operating expenses (note 18)	**(6,268,370)**	(4,647,734)
	(9,610,903)	(8,005,245)
Gross profit	**19,761,098**	22,773,339
General and administrative expenses (note 18)	**(8,968,978)**	(8,666,385)
Other expenses (note 19)	**(1,039,574)**	(975,531)
Operating profit	**9,752,546**	13,131,423
Finance cost (note 13)	**(7,118,623)**	(7,888,121)
Net comprehensive income for the year	**2,633,923**	5,243,302

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at March 31, 2013

(expressed in Barbados Dollars)

	2013 $	2012 $
Current assets		
Cash and cash equivalents (note 6)	**2,104,154**	2,483,349
Trade and other receivables (note 7)	**10,459,635**	8,245,286
Inventories (note 8)	**20,080,328**	18,231,101
Due from related company (note 9)	**6,860,790**	10,829,750
	39,504,907	39,789,486
Current liabilities		
Trade and other payables (note 10)	**3,039,597**	4,789,884
Due to parent company (note 12)	**91,850,978**	81,864,660
Due to fellow subsidiary companies (note 11)	**2,184,889**	2,081,183
Corporation tax payable	**1,222,541**	–
	98,298,005	88,735,727
Working capital deficiency	**(58,793,098)**	(48,946,241)
Property, plant and equipment (note 13)	**61,553,871**	51,287,233
Loan due to parent company (note 12)	**(2,239,098)**	(2,239,098)
Provision for abandonment (note 15)	**(4,054,997)**	(4,644,997)
Deferred tax liability (note 14)	**(1,372,359)**	(1,243,482)
Net liabilities	**(4,905,681)**	(5,786,585)
Represented by:		
Shareholder's equity		
Share capital (note 16)	**1**	1
Accumulated deficit	**(4,905,682)**	(5,786,586)
	4,905,681)	(5,786,585)

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended March 31, 2013
(expressed in Barbados Dollars)

	2013 $	2012 $
Revenue		
Crude oil sales (note 19)	**19,298,374**	23,320,767
Natural gas sales (note 19)	**1,324,559**	936,436
	20,622,933	24,257,203
Operating costs		
Royalties	**2,577,867**	3,058,637
Field expenses	**8,883,231**	5,858,068
Workover expenses	**841,264**	1,104,869
Warehousing expenses	**1,248,031**	1,197,071
Production expenses	**3,840,737**	4,275,026
Maintenance expenses	**1,816,468**	1,894,115
Engineering expenses	**893,960**	808,727
Geological expenses	**375,748**	398,635
LPG Plant expenses	**1,310,153**	1,339,307
Depreciation and depletion (note 13)	**5,884,301**	3,762,887
Inventory write-off	**(1,447,500)**	(14,326)
Increase in inventory obsolence	**2,185,931**	–
	28,410,191	23,683,016
Less: Parent lifting cost recovery (note 19)	**(12,684,409)**	(11,301,904)
	15,725,782	12,381,112
Gross profit	**4,897,151**	11,876,091
General and administrative expenses (note 17)	**(2,965,172)**	(2,846,688)
Other income		
Gain on disposal of property, plant and equipment	**53,191**	24,681
Miscellaneous income	**495,884**	27,381
Income before taxation	**2,481,054**	9,081,465
Taxation (note 14)	**(1,600,150)**	(19,829)
Net comprehensive income for the year	**880,904**	9,061,636

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at March 31, 2013

(expressed in Barbados Dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash	**11,694**	12,475
Due from related company (note 6)	**672,533**	522,386
	684,227	534,861
Property, plant and equipment (note 7)	**1,629,249**	1,650,509
Total assets	**2,313,476**	2,185,370
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**15,234**	11,862
Due to parent company (note 6)	**1,038,904**	981,438
	1,054,138	993,300
Non-current liabilities		
Loan due to parent company (note 6)	**1,400,000**	1,400,000
Total liabilities	**2,454,138**	2,393,300
Equity		
Share capital (note 9)	**1**	1
Accumulated deficit	**(140,663)**	(207,931)
Total equity	**(140,662)**	(207,930)
Total liabilities and equity	**2,313,476**	2,185,370

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended March 31, 2013
(expressed in Barbados Dollars)

	2013 $	2012 $
Income		
Rental income (note 6)	**180,000**	180,000
Royalties and surface lease	**6,420**	6,420
	186,420	186,420
General and property expenses		
Insurance	**28,896**	45,807
Property taxes	**22,500**	22,500
Professional fees	**11,336**	10,115
Depreciation (note 7)	**14,312**	14,311
Surveying	**–**	7,755
Bank charges	**194**	150
	77,238	100,638
Operating profit	**109,182**	85,782
Finance cost (note 6)	**(41,914)**	(42,086)
Income for the year before taxation	**67,268**	43,696
Taxation (note 8)	**–**	–
Total comprehensive income for the year	**67,268**	43,696

The accompanying notes form an integral part of these financial statements.

BNOCL 30 years

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