2014

ANNUAL REPORT

Barbados National Oil Company Limited

Contents

Corporate Information

Registered Office

Woodbourne, St. Philip
Barbados

Shareholders

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

Corporate Secretary

Mr. Winton Gibbs (ended January 2014)
Ms. Monica Hinds (started January 2014)

Banker

Republic Bank (Barbados) Limited

Auditor

PricewaterhouseCoopers SRL

Attorneys-at-Law

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

Board of Directors - BNOCL

Dr. Leonard Nurse, Chairman
Mr. Tennyson Beckles, Deputy Chairman
Mr. Leslie Barker
Mr. Wayne Forde
Mr. Ronald Hewitt
Ms. Jean Hill

Barbados National Oil Company Limited

Mr. Everton Lashley
Mr. Hayden Workman
Ms. Monica Hinds *(ended June 2013)*
Ms. Valerie Browne *(ended October 2013)*
Mr. Jehu Wiltshire *(started October 2013)*

Board of Directors - BNTCL

Dr. Leonard Nurse, Chairman
Mr. Tennyson Beckles, Deputy Chairman
Mr. Leslie Barker
Mr. Wayne Forde
Mr. Douglas Greenidge

Barbados National Terminal Co. Ltd.

Mr. Dave Waithe
Mr. Hayden Workman
Ms. Valerie Browne *(ended October 2013)*
Mr. Jehu Wiltshire *(started October 2013)*

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

List of Figures, Charts and Diagrams

Corporate Profile

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 continued to pursue the diversification of the energy mix in the country, particularly as it relates to alternative energy sources 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 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-one 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 2014.

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

Figure 1

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

purchase heavy fuel oil, which is returned to the country 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 that 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 close 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.

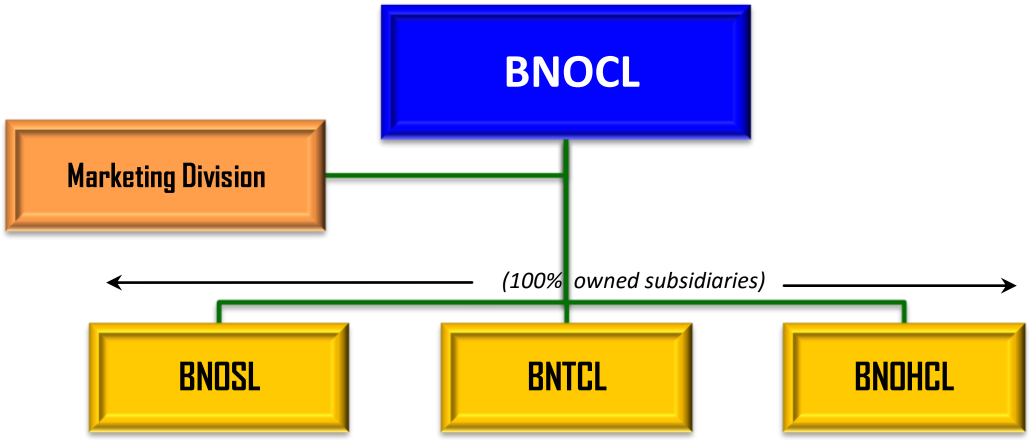
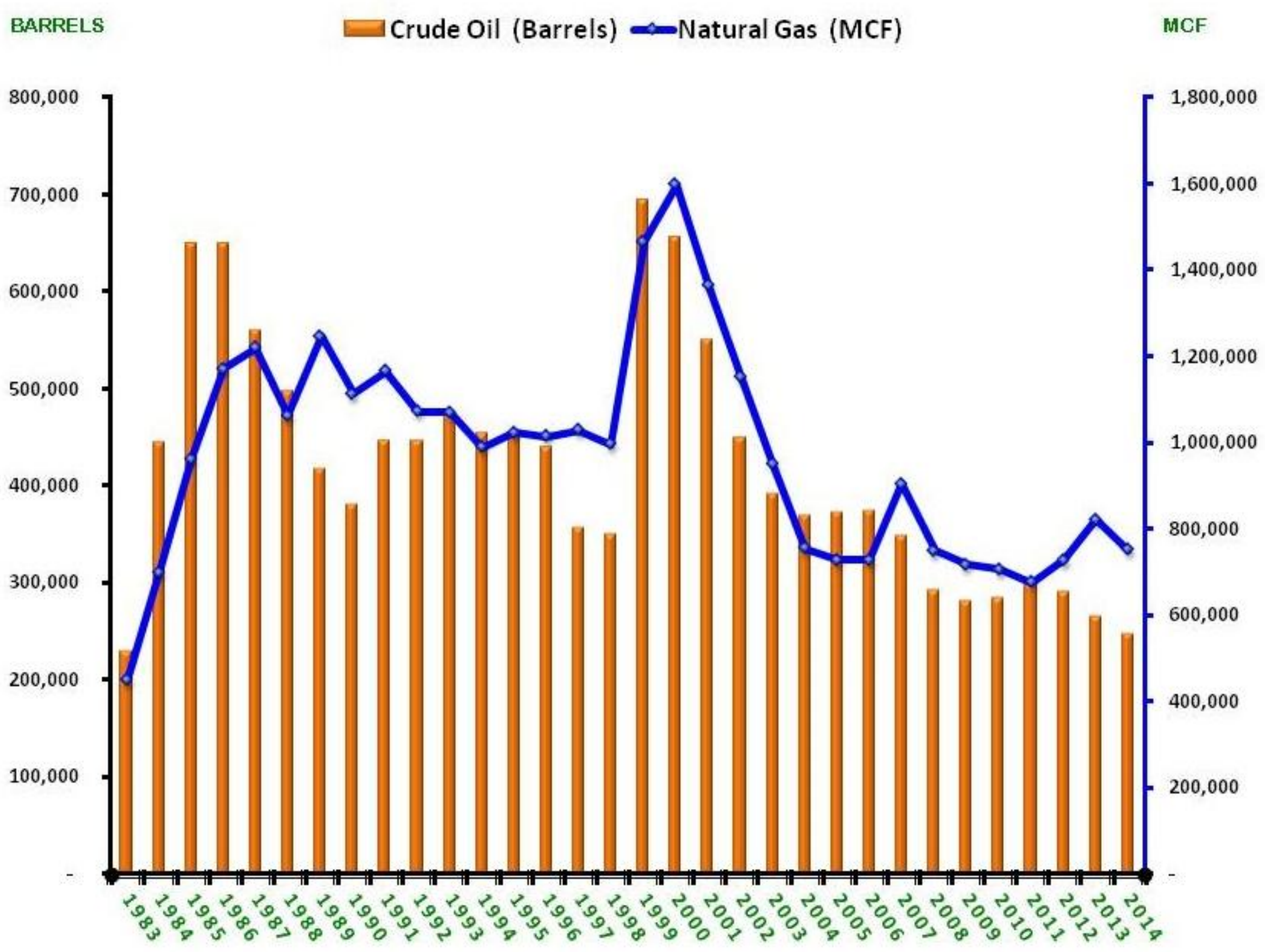


Chart 1

Annual Production of Crude Oil and Natural Gas

The figures represent production from inception in 1983 to end of the financial year to March 2014.
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.



Operational Highlights

Chart 2

Crude Oil Production

Avg. Barrels per day (BPD)

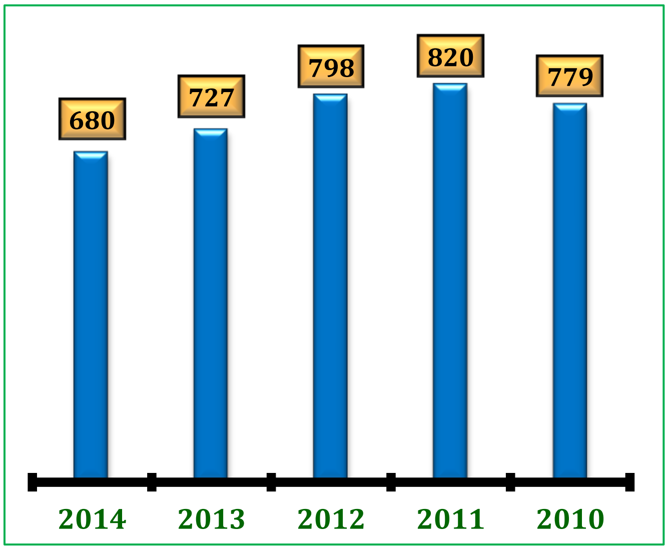


Chart 3

Crude Oil Production

Total Production (Barrels)

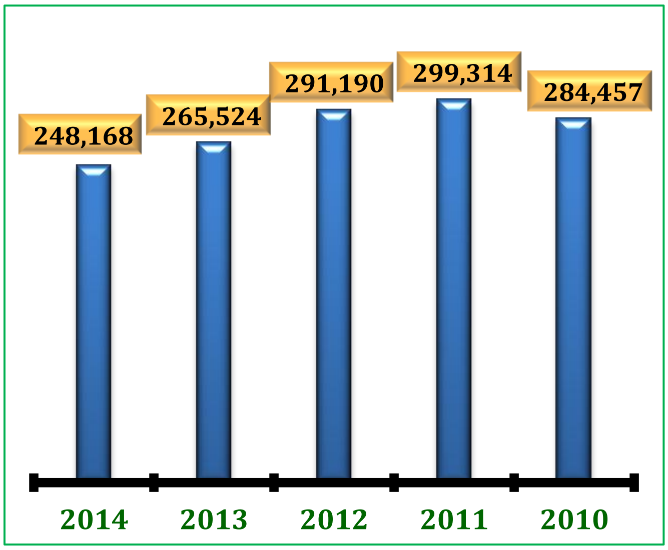


Chart 5

Natural Gas Production / Natural Gas Sales

Average cubic feet per day (thousands)

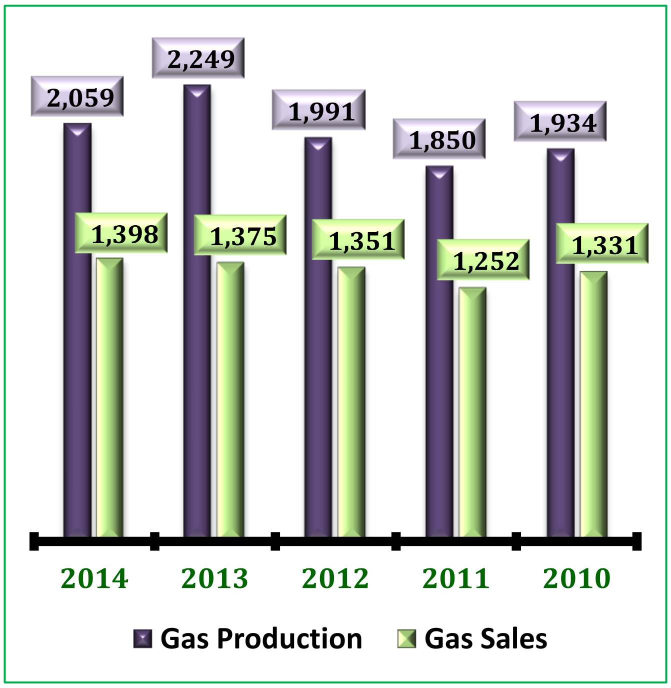


Chart 4

Natural Gas Production

Total cubic feet (thousands)

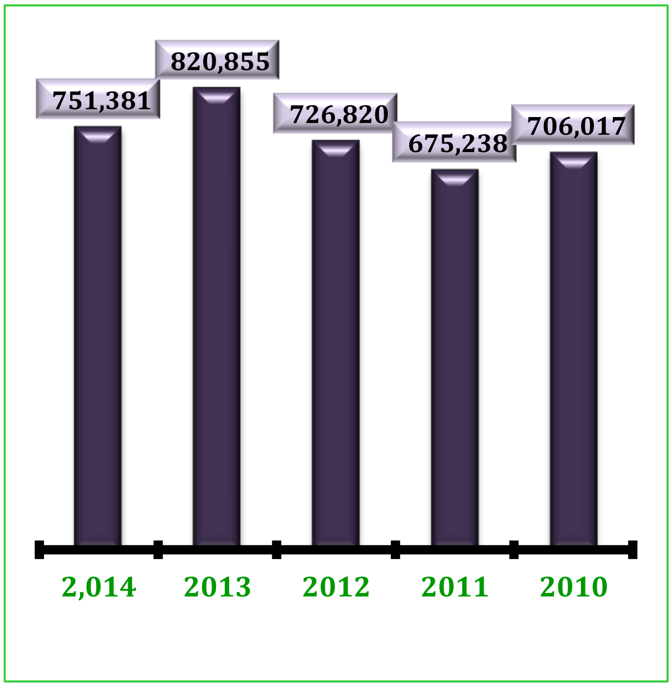


Chart 6

Volume of Petroleum Products Imported

(Thousands of Barrels)

(The Company commenced the importation of Ultra-Low-Sulphur Diesel (ULSD) on 1st November 2013

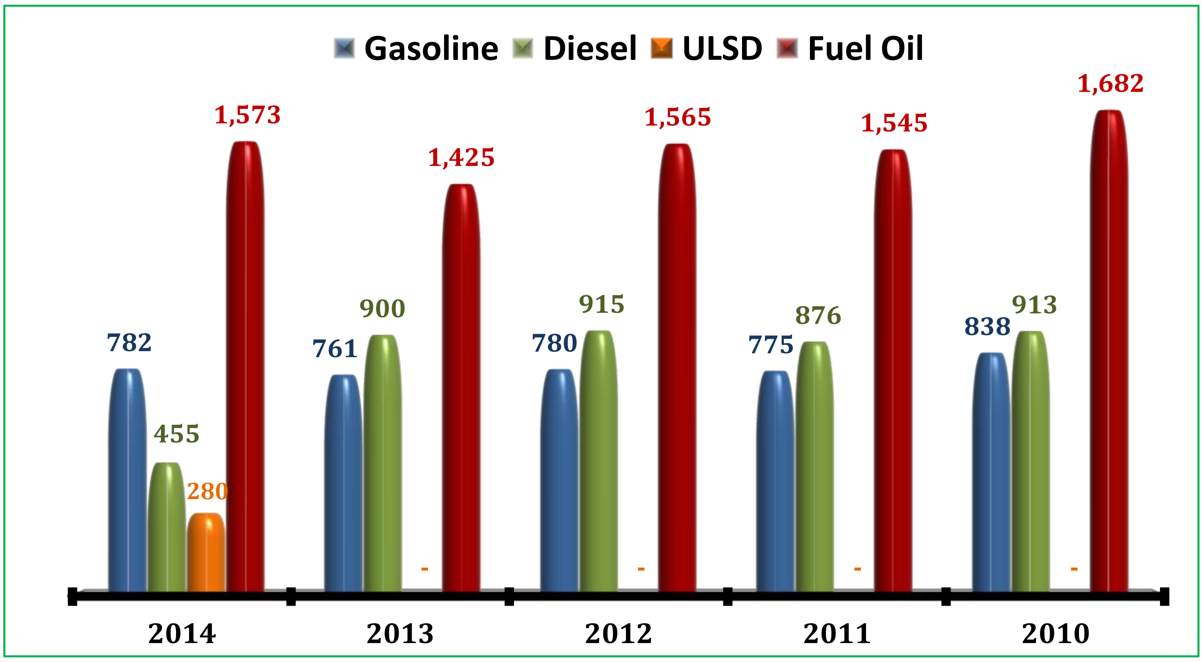


Chart 7

Average CIF Price of Products

(Barbados Dollars – BDS$)

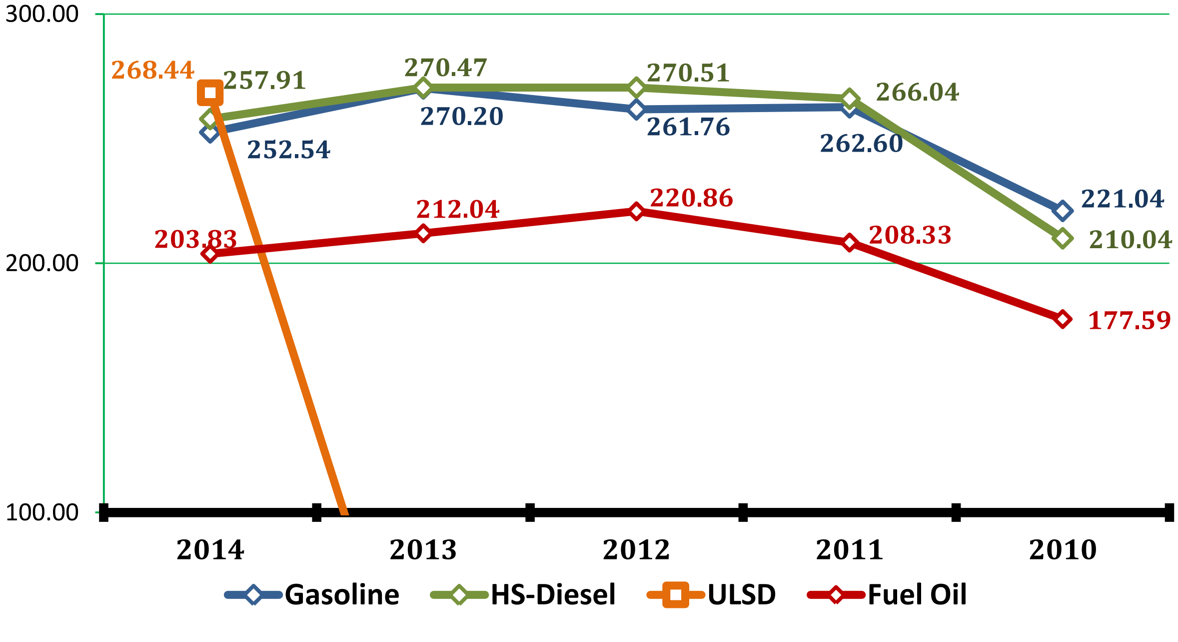
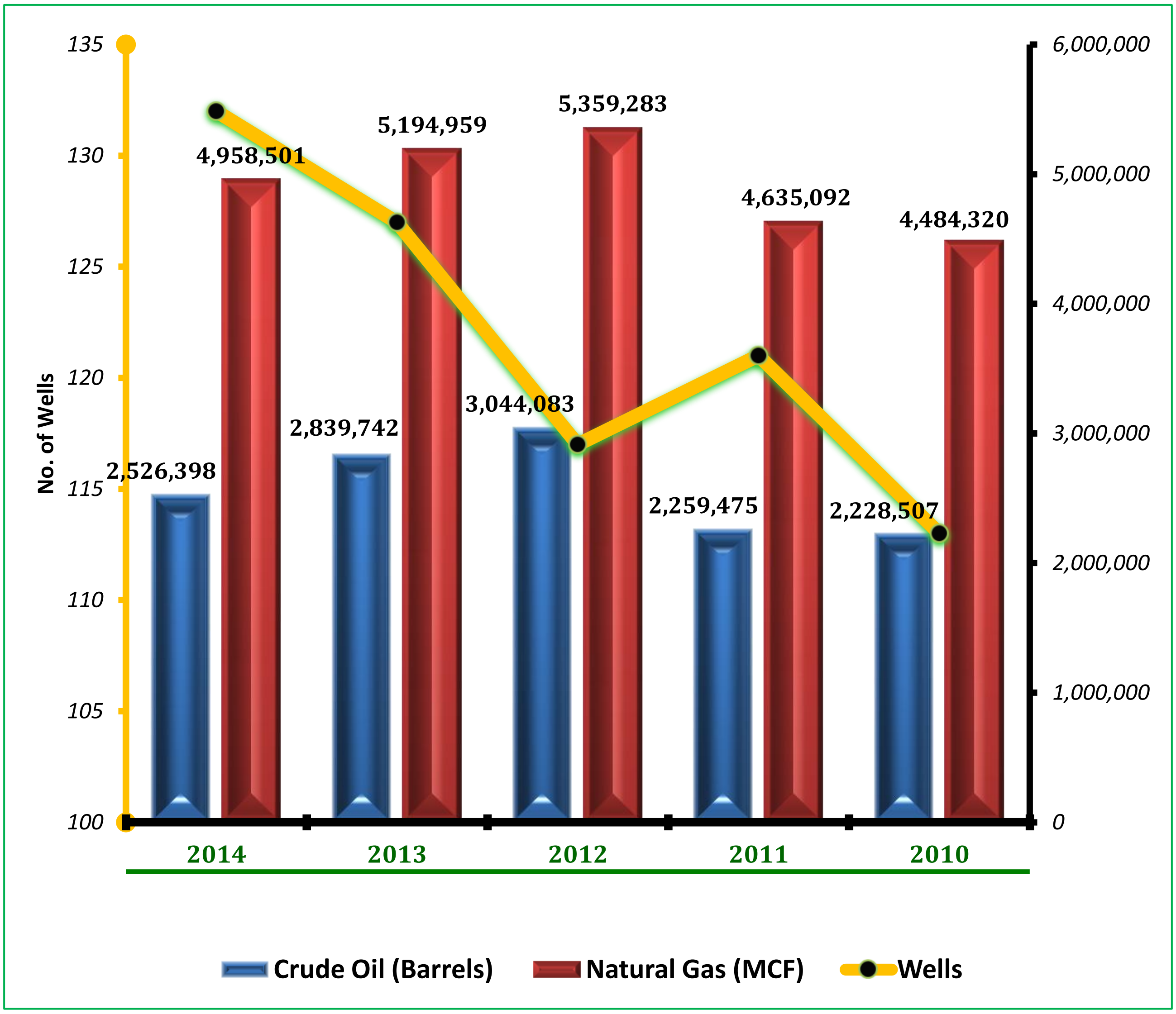


Chart 8
Proven Reserves
Crude Oil and Natural Gas



Board of Directors

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 Environmental 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 / Ended October 2013*

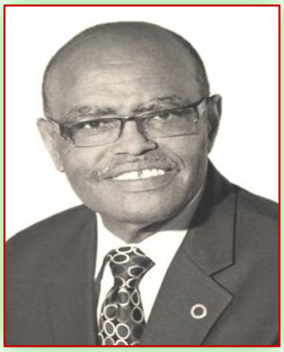
Profession/Position: *Permanent Secretary-Energy, Division of Energy and Telecommunications (Prime Minister's Office)*

Wayne Forde
Director, BNOCL / BNTCL

Appointed Director: *June 2011*

Profession/Position: *Director, Barbados Revenue Authority*

Nominee of the Permanent Secretary, Ministry of Finance and Economic Affairs



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, 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 to1995
Re-appointed Director from March 2008 until present.

Profession/Position: Geologist
CEO, Hydroterra Inc. Environmental Services

Retired Acting Petroleum Engineer/Chief Geologist, Division of Energy, Barbados

Board of Directors

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, RoundHay Pharmacy

Corporate Overview

The BNOCL Group approached the year 2014 with a renewed focus, confident in its ability to efficiently manage its operations, despite the significant fall in international crude oil prices.

BNOCL operates in a geopolitical environment that has manifested itself in the volatility of oil prices. These oil prices are expected to continue to fluctuate given the political and economic instability in the major oil producing countries.

During the period under review, BNOCL continued to supply most of the country's requirement of petroleum products, namely, gasoline, diesel and fuel oil, through diligent negotiations with reputable suppliers, to ensure that the most competitive prices could be offered to the local consumers.

In its ongoing efforts to provide environmentally friendly products to the consumers of Barbados, during the fourth quarter of the year, the Company introduced Ultra-Low-Sulphur Diesel (ULSD) to replace the high-sulphur diesel. This cleaner diesel fuel contains a maximum 15 parts-per-million (ppm) sulphur, thereby reducing the amount of carbon dioxide (CO_2) or 'soot' that is normally emitted from regular high sulphur diesel engines.

ULSD significantly improves air quality and is the preferred fuel for diesel engines, particularly those with advanced emission control devices. The consumers and stakeholders have favourably received ULSD, which was introduced in conjunction with the Division of Energy and Telecommunications.

The company continued its plans to develop its energy mix and to transform the Group into a fully integrated energy corporation.

New technologies have been employed to enhance the Company's upstream operations. The Company continued to pursue suitable joint venture partners with the view to further developing its upstream operations.

The Company has commenced the development of its renewable energy projects, which are expected to come on stream with the enactment of the relevant legislation.

Financial Performance

During the year under review, the Company adopted the amended IAS19, which resulted in the re-statement of the financial statements for the years ended March 31, 2012 and March 31, 2013. This standard pertained to the accounting treatment and disclosure for employee benefits.

The Group recorded a marginal increase in net income of $29.6 million in 2014 compared to the restated $28.3 million in 2013. This net income is added to the restated retained earnings brought forward of $69.7 million to close with retained earnings of $99.3 million at the end of the current financial year.

The Group ended the year with a cash flow deficit of $33.2 million.

Pricing Mechanism on Petroleum Products (Gasoline and Diesel)

The pricing mechanism on gasoline and diesel, which was introduced by the Government, continued to be a vital element in the Group's operations. The proceeds from the 10 cents per litre mechanism partially provided 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. An allocation of 2 cents per litre assists 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 retains the option of determining the retail prices in the event of unusually high oil prices in the future.

As at 31st March 2014, proceeds from the 10 cents per litre pricing mechanism to BNOCL were $23.1 million. These proceeds assisted the company in honouring its commitment to deposit $38.2 million to the Debt Service Reserve Account to facilitate the repayment of the Bond obligations. The shortfall of $15.3 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.

The Division of Energy and Telecommunications determines the revenue (retail pump price) 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).

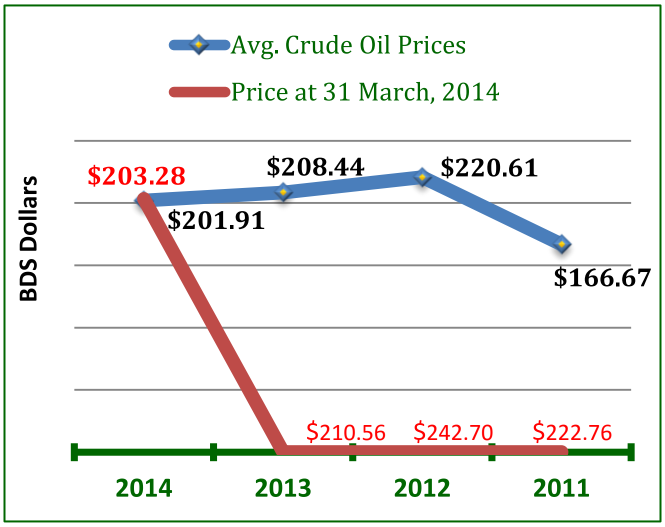
Crude Oil Prices

During the course of the year, the average price of crude oil decreased by BDS$7 to approximately BDS$201 per barrel when compared with approximately BDS$208 per barrel in 2013.

Chart 9

Average Crude Oil Prices

(Barbados Dollars – BDS$)



As seen in the graph at chart 9, crude oil prices fluctuated over the course of the year and by year end was recorded at approximately BDS$203 per barrel.

Drilling Programme

During the year, the Company delayed its planned drilling programme in order to complete the necessary upgrades to its drilling and workover equipment to comply with international standards and the Safety and Health at Work (SHAW) legislation.

In May 2013, the Company completed the final two wells in the 2012/2013 ten-well drilling programme. However, the company was unable to bring these wells on production due to factors beyond its control involving a key service provider.

Similarly, the exploration well, which was being drilled at Society, St. John was temporarily abandoned due to technical challenges involving a service provider. However, the Company plans to complete this well in a subsequent drilling programme.

Production

The company continued to employ various enhanced recovery techniques to improve production on its active and intermittent wells. For the year under review, the company produced 248,168 barrels of crude oil compared with 265,524 barrels for the year 2013, and 751,381 million cubic feet of natural gas compared with 820,855 mcf for the year 2013.

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.

Natural Gas Supply Initiatives

The Company remains concerned with the declining level of proven natural gas reserves onshore Barbados. Although, supply to the National Petroleum Corporation has been sufficient to meet its demand, the Company was cognisant that the long-term supply of the current volume of natural gas was not sustainable.

In 2010, the Government established a Natural Gas Importation Negotiating Committee to evaluate and coordinate the proposed importation of natural gas from Tobago by a subsea pipeline. However, the development of other renewable and alternate energy initiatives has seriously impacted the viability of this project.

In order to ensure security of supply to the NPC and to meet its growth potential, the Company, in conjunction with the NPC have initiated discussions with potential suppliers for the importation of relatively small volumes of natural gas by alternative methods.

Production Abroad

The Company continued to seek opportunities aimed at establishing operations and reserves overseas. In this regard, preliminary discussions were in progress with potential joint venture partners aimed at pursuing a field rejuvenation project onshore Trinidad.

Renewable Energy and Energy Efficient Projects

Renewable energy projects formed a major part of the Company's objective of developing its energy mix. To this end, the Company commenced negotiations aimed at the installation of photovoltaic systems on its buildings and other suitable locations. The Company was also positioning itself to operate as an independent power producer of energy for sale to the electricity grid.

Terminal Operations

The terminal successfully installed and commissioned the new equipment for Gum testing in Jet fuel. This operation, which was previously outsourced to international agencies, has enabled the terminal to achieve its five-year objective in becoming equipped to conduct a full recertification of Jet fuel, and to explore the possibility of commercialising this operation.

The terminal operations continued to observe and comply with international standards.

Corporate Facility

The designs and plans for the construction of a new multi-functional energy-efficient corporate building have been finalised and the required financing was being secured.

The new corporate office is expected to positively impact the level of efficiency between the existing departments, which are currently segregated. In addition, this new facility would greatly enhance the Company's corporate image as it prepares to broaden its activities to include the offshore operations.

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 and Mr. Tennysone Beckles were re-appointed Chairman and Deputy Chairman respectively of the Group of Companies.

Subsequent to the end of the financial year, the Board said a final farewell to Mr. Beckles who passed away in October, 2014.

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.

Associated Company

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

Conclusion

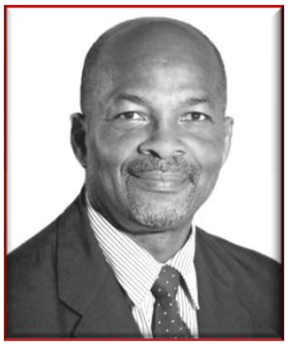
The challenges of the Company remain the delivery of petroleum products to the consumer at the most competitive prices given the volatility of the world market prices.

To mitigate the impact of this volatile situation, the Company continues to seek ways of minimising ancillary product costs. In addition, the Company continues to employ appropriate technologies and to negotiate with reputable service providers in an effort to maximise its oil and gas production and reserves.

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

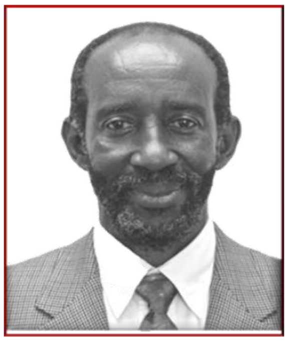
The company expresses its appreciation to its Shareholders, Board of Directors, employees and other stakeholders for their support and commitment towards the growth and development of the Group of Companies.

Twenty-year veteran, Sebastian Ashby, Pumper, preparing to transport a mobile compressor to the oilfield.



Winton Gibbs
General Manager

Gordon Worme
Operations Manager



Mervyn Gordon
Technical Manager

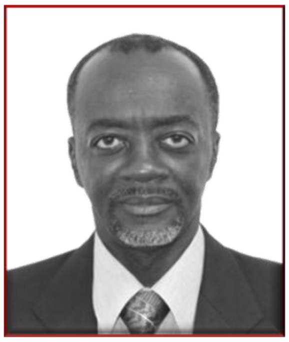
Brenda Hinds
Human Resources Manager

Joan Hinds-Holder
Finance Manager

Carolyn Forde-Bryan
Internal Auditor

Terrence Straughn
Terminal Superintendent

Pedro Bushelle
Information Systems Manager



Wesley Carter
Trading and Marketing Manager

Human Resources and Administration Overview

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 more diversified energy Company.

In view of this objective, the Company commenced the process of introducing two new ERP systems, SAP and KRONOS, to streamline its business and operating processes and increase efficiency. Preparation and training for the implementation of the systems created a high awareness among staff of the level of efficiency and benefits achievable from these systems.

Employees also continued to benefit from relevant training programmes and seminars in areas such as renewable energy, technical and drilling operations, human resources management, financial risk management and financial planning, HSSE (health, safety, security and environment) and information technology.

The company continued to work closely with relevant bodies, including state regulatory agencies, to ensure that its operations are 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 some of 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 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 Mr. Adrian Sinckler who joined the Group in June 2013 in the position of HSSE Coordinator and Marine Focal Point at BNTCL. The Company also welcome Mr. Kemar Husbands who joined in January 2014 in the position of Roustabout in the Operations Department at BNOSL.

The position of Terminal Manager was made redundant, which resulted in the separation of Mr. Andre Alleyne from the Group. The Company expressed its thanks to Mr. Alleyne for his tenure and wished him well in his future endeavours.

Social Responsibility and Community Work

The Company held a number of health and sporting activities 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, 2014, the BNOCL Group employed 122 employees. This number was represented by BNOCL=19, BNOSL=74 and BNTCL=29.

Adrian Sinckler

HSSE Coordinator and Marine Focal Point

Kemar Husbands

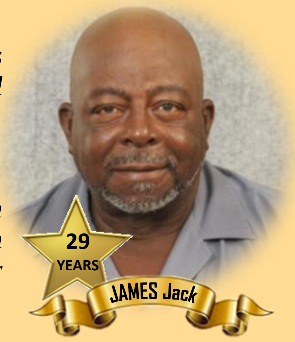
Roustabout

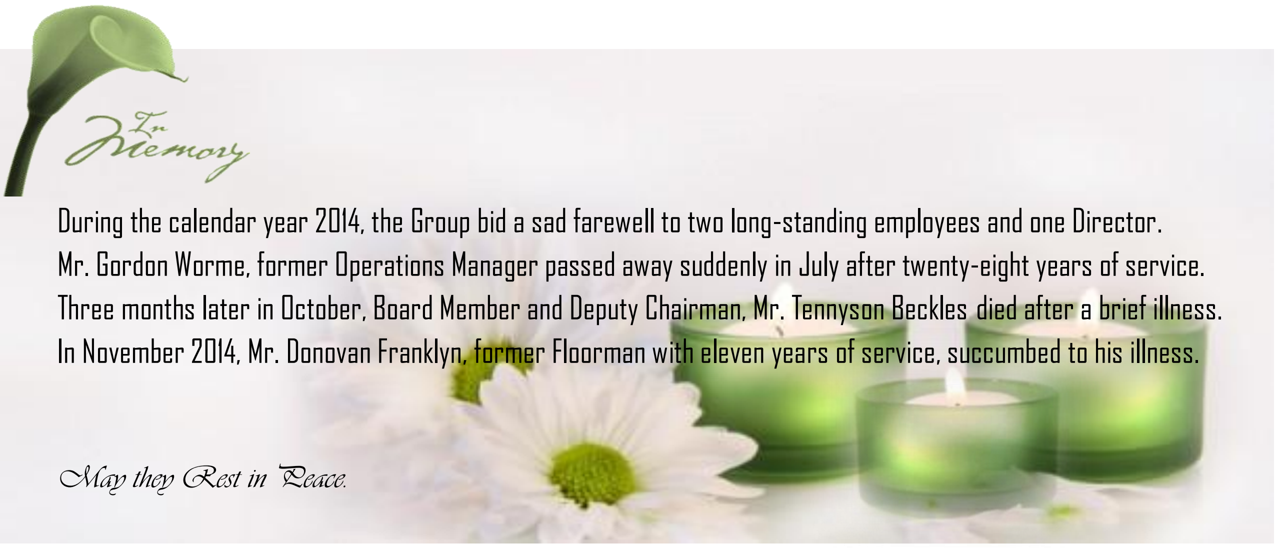
Editorial Correction (2013 Annual Report)

The name tags for the following two employees were inadvertently switched in the 2013 Annual Report as shown on page 32 of that report.

"Long Service Recognition"

The photos of are now re-published here with the corrected name tags. Our apologies to both gentlemen and congratulations again on their dedicated service.





During the calendar year 2014, the Group bid a sad farewell to two long-standing employees and one Director.
Mr. Gordon Worme, former Operations Manager passed away suddenly in July after twenty-eight years of service.
Three months later in October, Board Member and Deputy Chairman, Mr. Tennyson Beckles died after a brief illness.
In November 2014, Mr. Donovan Franklyn, former Floorman with eleven years of service, succumbed to his illness.

May they Rest in Peace.

Technical and Operations Overview

During the year, the Company continued to explore possibilities of maximising production of oil and natural gas onshore using a variety of enhanced recovery techniques. The Company also continued to seek production opportunities overseas. In this regard, the Company conducted preliminary discussions with potential joint venture partners for a proposed onshore rejuvenation project in Trinidad.

Crude Oil Production

The production of crude oil decreased by approximately 6.6% or 17,396 barrels to 248,168 barrels compared with 265,564 barrels in 2013. An unforeseen situation by the service provider resulted in the delay in the perforation of the new wells drilled in the 2012 capital programme. As a result, output from these wells did not impact the production for the year.

The most productive fields continued to be Lower Greys, West Woodbourne and Edgecumbe, which represented 31%, 27% and 26% of total production respectively.

Natural Gas Production

For the year under review, natural gas production declined by 8.5% from 820,855 mmcf in 2013 to 751,387 mmcf in 2014. Despite the declining reserves in recent years, the Company continued to satisfy the increasing demand of the National Petroleum Corporation (NPC). The Company is however aware that this volume of supply is not sustainable, given the maturity of its oilfield. In this regard, the Company commenced negotiations with potential suppliers for the importation of a supplemental supply of natural gas.

Chart 10

Total Crude Oil Production by Field – (Barrels)

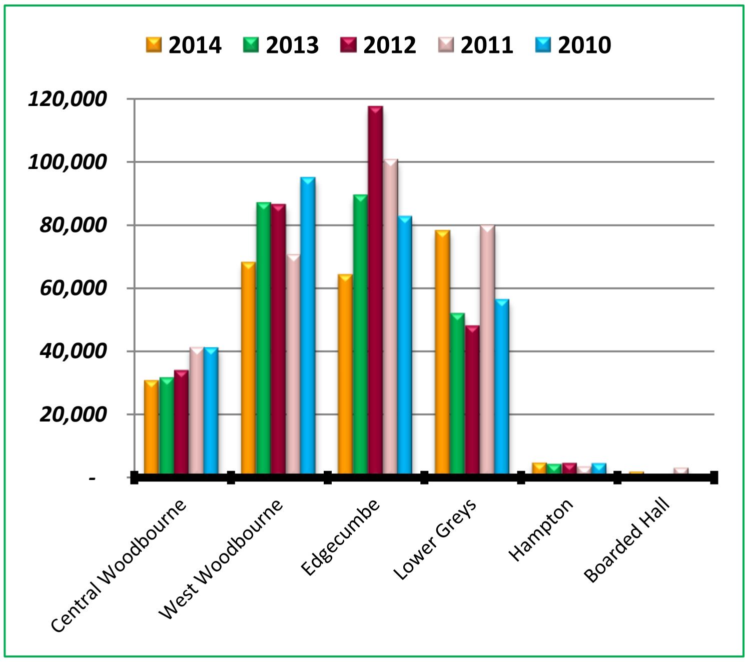


Chart 11

Total Natural Gas Production by Field – (MCF)

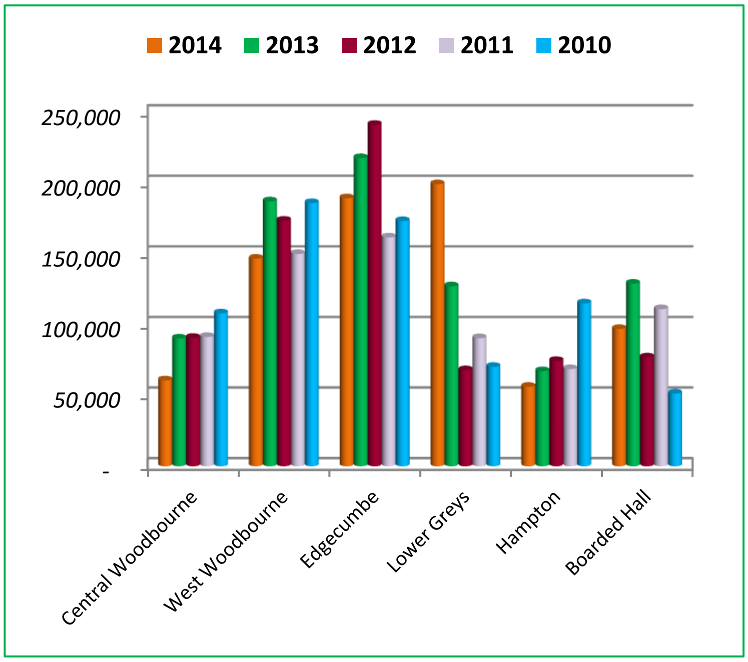


Chart 12

Proven Reserves of Crude Oil

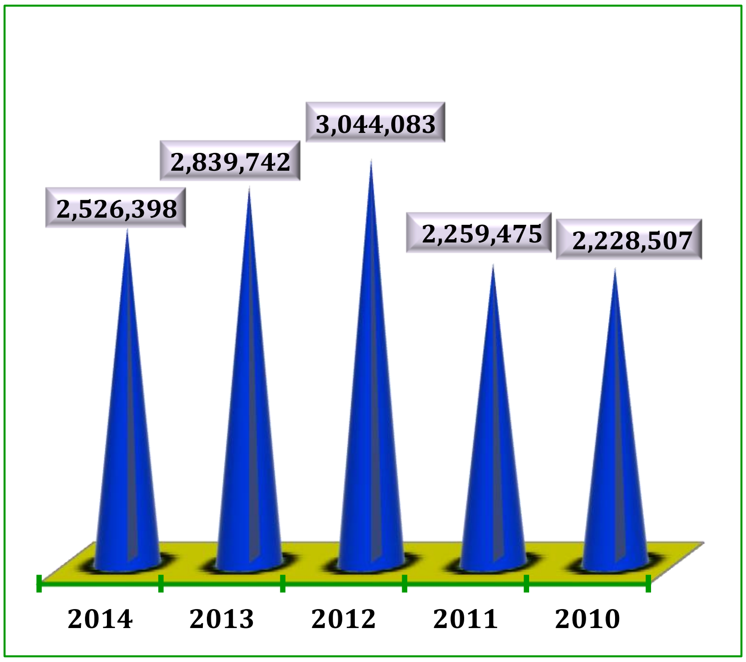
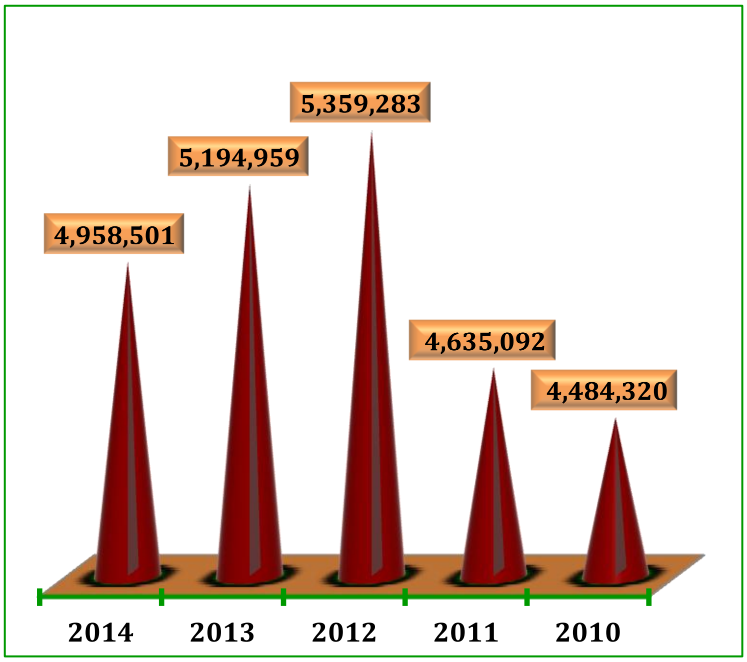


Chart 13

Proven Reserves of Natural Gas



For the year 2014, total gas sales to NPC increased by 1.7% to 510,212 MCF from 501,771 MCF in 2013.

Wireline Services

During the year, the Company acquired a fully equipped state-of-the-art Wireline Unit with the view to performing this service in-house. This was necessary since the perforation services normally provided by the key contractor were no longer available.

The Company's perforation programme on the nine developmental/semi-developmental wells in its 2012 drilling programme, which was delayed, was executed successfully in-house by the newly acquired wireline unit.

The first well to be perforated in-house with the newly acquired unit was Woodbourne No. 129. The other wells from the programme were scheduled to be perforated in the subsequent year.

Drilling Programme

The Company agreed to reschedule its drilling programme until 2015 to conduct necessary maintenance and upgrades to its drilling rig and other field equipment. The upgrades are aimed at increasing the versatility and efficiency of the drilling rig as the Company seeks to identify a new oilfield, possibly with deeper reservoirs. The maintenance programme was aimed at ensuring that the Company met the requirements of the new Health and Safety at Work Act.

Technical and Operations Overview

Proven Reserves

As at 31 March 2014, the Company recorded crude oil reserves of 2,526,398 barrels, which represented a decrease of approximately 11% from 2,839,742 barrels in 2013. Natural gas reserves decreased by approximately 5% to 4,958,501 MCF from 5,194,959 MCF recorded in 2013.

The overall decline in oil and gas reserves was due to the fact that no reserves were added for the current year as a result of the postponement of the 2014 drilling programme.

Work Programme

The Company maintained approximately 132 wells on production throughout the year, compared to 117 wells in 2013. The Work Programme consisted of fifty-two workovers and included the installation of plunger lift systems on some of the low-producing wells to boost production levels.

The Company continued its enhanced oil recovery operations with fractured stimulation and recompletions on some wells where production had declined below the economic limit.

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.

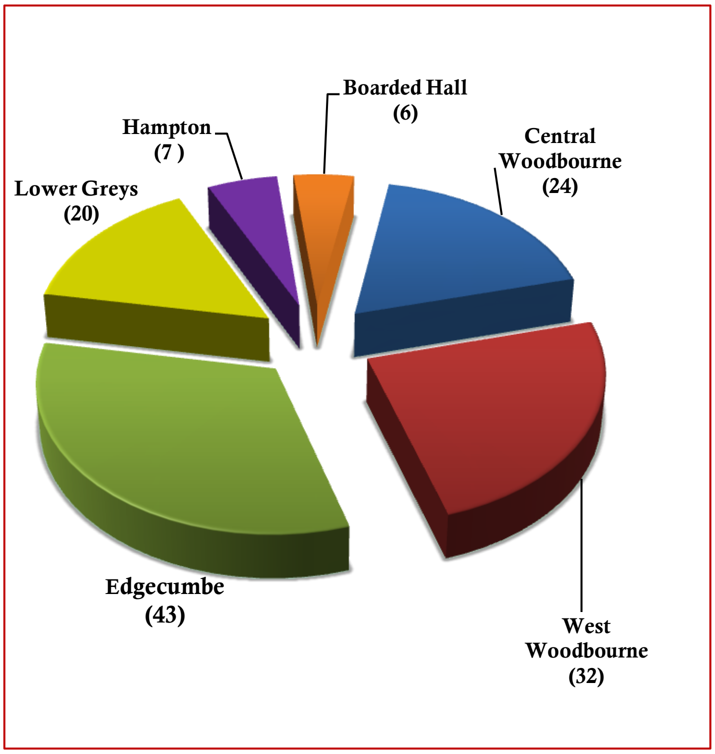
The total quantity of local crude oil shipped to the Petrotrin refinery in Trinidad during the year was 266,116 barrels, representing an increase of 9.1% when compared to 243,820 barrels in 2013. The increase in shipment of crude oil was reflected in the change in closing inventory.

<u>Prior Year Correction</u>: In the 2013 Annual Report the total volume of crude oil shipped to Petrotrin in 2013 was inadvertently stated as 266,116 barrels. The correct volume was 243,820 barrels.

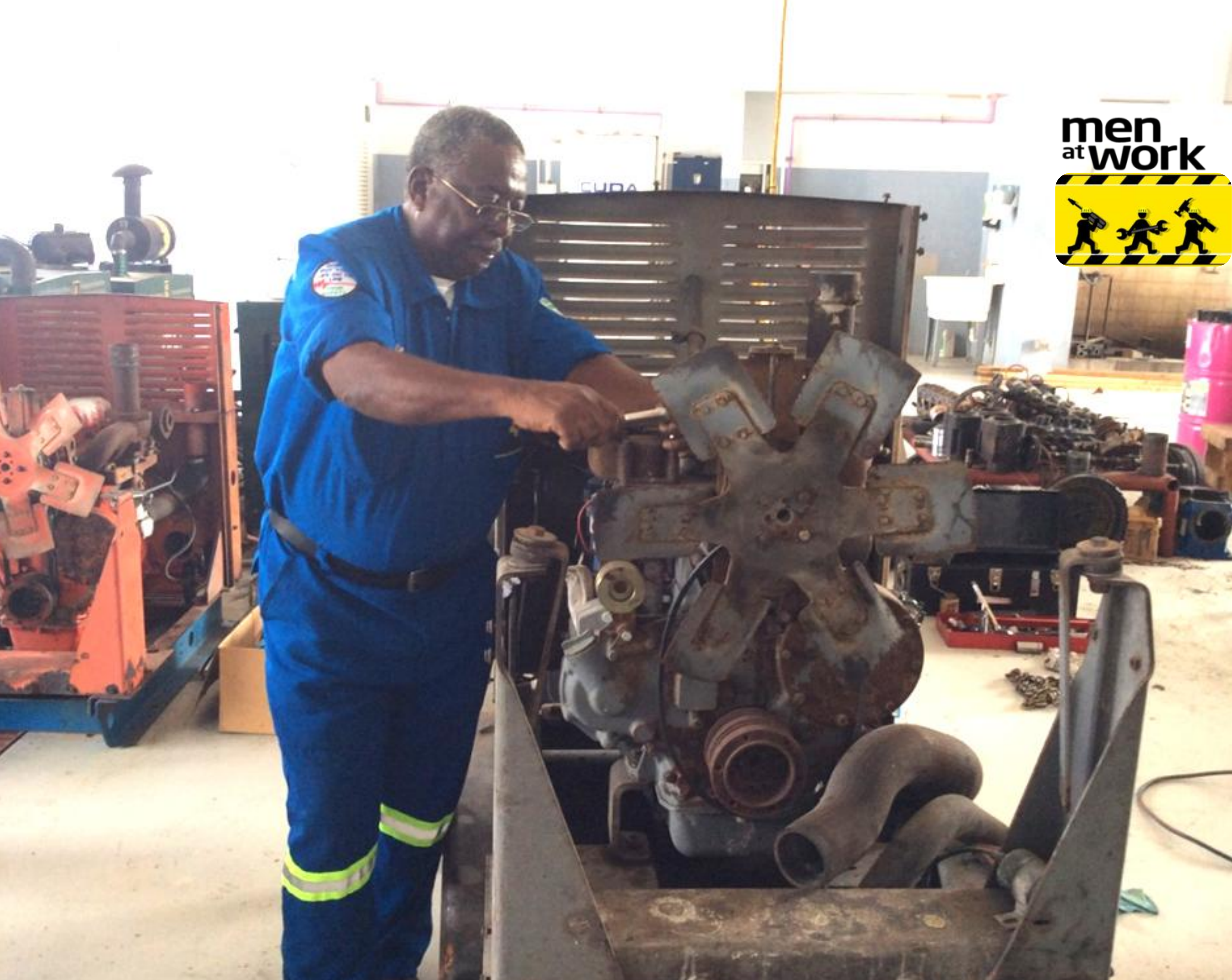
Chart 14

Active Wells by Field

(As at March 31st, 2014)



men at work



Financial Overview

The Group experienced another profitable year to March 2014. The consolidated net income for the current year of $29.6 million was marginally higher than that of the previous year of $28.3 million, as restated. The Parent Company and the Holding Company recorded reduced net income, while the BNTCL and BNOSL recorded slightly higher net incomes.

The increase in net income was due primarily to a decrease in the operating cost of the Parent Company and its subsidiary terminal facility.

The Group's profitability, despite a significant reduction in revenue, was attributable to increased efficiency in major aspects of its operations. The operations comprise its upstream and downstream activities including terminalling and supply of certain petroleum products.

This financial year was the fifth 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 and 2 cents per litre on gasoline and diesel to BNOCL and BNTCL respectively, to facilitate the recovery of losses incurred by these Companies in previous years, as a result of the subsidies on gasoline, diesel and electricity. However, in May 2012, the Government reduced the Cess tax to BNOCL from 15 to 10 cents per litre.

Revenue

The Group's gross revenue decreased by 8.22% from $794.3 million in the year ended March 2013 to $729.0 million in the current year. Of this total, the sale of refined petroleum products accounted for $717.6 million representing 8.28% decrease on the previous year's revenue of $782.4. As noted under 'operating cost', the cost of refined products also decreased by approximately 8.35%.

The decrease in refined product sales resulted from the sale of a slightly lower volume of product at slightly lower average selling prices. In the year under review, 2,972,318 barrels were sold at an average price of $241.44/bbl. For the financial year ending March 31, 2013, 3,034,255 barrels were sold at an average price of $257.85/bbl.

Revenue from the sale of natural gas increased marginally by 1.86% from $3.76 million in 2013 to $3.83 million in the year under review. The price of natural gas to the National Petroleum Corporation had been preveiously 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 10.6% from $3.2 million in 2013 to $2.9 million in the current year. These amounts are included in the terminal throughput fees of $7.5 million in the current year and $8.2 million in 2013. This decrease resulted from a reduction of 10.6% in the volume of aviation fuel handled by the terminal facility from 943,761 barrels in 2013 to 844,102 barrels in the current year. The throughput fees also included the fees applied for the volume of kerosene handled by the terminal for the year of 4,430 barrels, compared to 4,493 barrels in 2013.

Operating Cost

The operating cost of the Group decreased by 8.2% from $735.5 million in the year 2013 to $675.4 million in the current year.

The major contributor was a decrease in the cost of refined products sold from $702.8 million in the year 2013 to $644.1 million in the current year. This reduction resulted from the sale of a lower volume of product at a lower average purchase price per barrel than in the previous year.

Overall, in the year 2014, 2,972,318 barrels of refined product were sold at an average cost price of $216.69, compared to 3,034,255 barrels of product at an average cost price of $231.64 per barrel in 2013.

General and Administration Expenses

The Group's General and Administration expenses decreased by 5.1% from $13.7 million in 2013 to $13.0 million in the year under review. This decrease in general expenses was primarily due to a reduction in professional and other costs.

Debt servicing costs decreased 11.6% from $14.7 million in 2013 to $13.0 million in the year under review and is mainly attributable to the amortization of Series 1 and 2 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 decreased by 723K from $967K in 2013 to $244K in the current year. This decrease is the net result of decreases in interest income earned mainly on funds in the debt service account invested in secured instruments.

Net income - Group

The Group reported an after-tax profit of $29.6 million in the current year compared with an after-tax profit of $28.3 million, as restated for the year 2013.

Net Income - Parent and Subsidiary Companies

BNOCL, the Parent Company as an entity, reported an operating profit of $24.4 million, a decrease of 3.2% from the reported profit of $25.2 million in 2013, as restated.

BNOSL, the upstream operating company, reported a profit of $1.91 million in the current year compared to $851K, as restated for the year 2013, an increase of 124.44%.

BNTCL, the terminalling company, reported a net profit of $3.3 million compared to a profit of $2.5 million in 2013, an increase of 32%

The Holding company reported net profit of $42K compared to last year's profit of $67K, a decrease of 37.3%

Cash Flow

The Company's operations generated a net cash inflow of $21.1 million. Financing activities, which dealt mainly with the repayment of the Bond Issue utilised $36.6 million.

The investing activities, which included the purchase of plant and equipment, used a further $14.0 million, leaving a net decrease in cash and cash equivalents for the year of $29.5 million.

The net decrease in cash and cash equivalents for the year of $29.5 million is added to the opening overdraft balance of $3.7 million, leaving a negative cash and cash equivalents balance of $33.2 million.

Table 1

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

Year ended March 31st	BNOCL	BNOSL	BNTCL	BNOHCL
2014	24.425	1.910	3.348	0.042
2013 Re-stated	25.177	0.851	2.531	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

Marketing Overview

As in previous years, the Company sourced the country's requirement of gasoline and diesel under a contractual arrangement with Petrotrin, Trinidad and Tobago's state-owned refinery. The country's requirements for heavy fuel oil continued to be sourced under contract from Staatsolie, the state-owned company of Suriname.

Heavy Fuel Oil (HFO)

During the year under review, the Company imported 1,573,149 barrels of HFO, 147,977 barrels more than in 2013, when 1,425,172 barrels were imported. Of the total imported, 280,948 barrels or 18% was supplied from locally produced crude oil, refined under a Processing Agreement with Petrotrin. The remainder was supplied by Staatsolie.

Power generation accounted for 84% of HFO imported into the domestic market, while asphalt production used 2%, with the remainder being used for bunkering, industrial and manufacturing purposes. During the previous year, 88% of the HFO was used for power generation, 3% for asphalt production and the remainder for bunkering, industrial and manufacturing purposes.

Gasoline

For the financial year 2014, the volume of gasoline imported increased by 3% to 781,972 barrels compared to 761,025 barrels in 2013. This averaged 65,164 barrels per month, which were purchased at an average price of BD$250 per barrel, compared with BDS$254 in 2013. For the year under review the purchase price of gasoline ranged between BD$229 and BD$269 per barrel.

As noted in Chart 14, at March 31, 2014 the retail price of gasoline was BD$3.18 per litre. Of that price, 48% represented the cost of the product, 32% represented Government taxes, the marketers' margin accounted for 14% and the company's storage fee and margin accounted for 6%.

Diesel

The volume of diesel imported for the year 2014 decreased by 18% or 164,236 barrels from 899,657 barrels in 2013 to 735,421 barrels.

- *High Sulphur Diesel (HSD)*

From April to October of the year under review, 445,457 barrels of regular high sulphur diesel were imported at an average price of BD$254 per barrel. The purchase price for HSD ranged between BDS$242 and BDS$268 barrels.

- *Ultra-Low-Sulphur Diesel (ULSD)*

The Company received its first shipment of ULSD in November 2013 following consultations between BNOCL and the Division of Energy and Stakeholders. ULSD is a cleaner fuel with a maximum sulphur content of 15 parts per million. ULSD is a premium product, which is widely used throughout the Americas and Europe as the mandated fuel of choice. BNOCL was able to source ULSD at an average purchase price of BD$266 per barrel.

As noted in chart 16 at March 31, 2014 the retail price of ULSD was BD$2.87 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%.

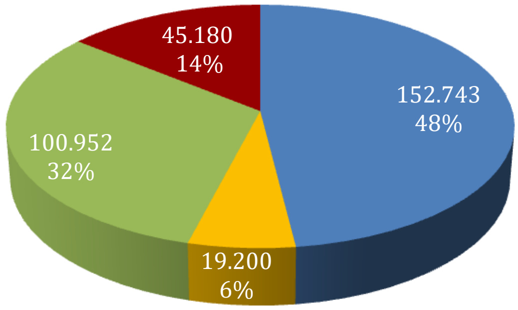
Shipping

Following a competitive bidding process, BNOCL entered into a time charter contract with a reputable marine freighter for its petroleum products. The freighter provides a state-of-the-art vessel with segregated configuration of its holding tanks, which facilitates the transportation of both white oils (clean products) and black products on the same vessel.

Breakdown of Beneficiaries of Retail (Pump) Price

Chart 15

GASOLINE



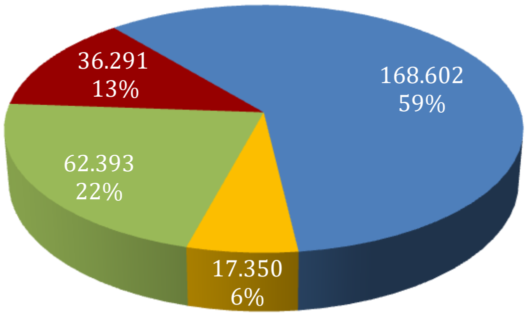
GASOLINE - 318.075 - Bds Cents per Litre *(effective March 16, 2014)*

- **Cost of Product** - 152.743
- **Margin to BNOCL/BNTCL**
  [BNOCL Margin = 0.750 / Loss Recovery = 10.000]
  [BNTCL Throughput Fee = 6.450 / Loss Recovery = 2.000
- **Margin to Government**
  [VAT = 50.873 / Excise Tax = 73.579]
- **Margin to Marketers**
  [Wholesalers' Margin = 20.365 / Dealers' Margin = 24.815]

Chart 16

HIGH-SULPHUR DIESEL

HSD was discontinued in October 2013



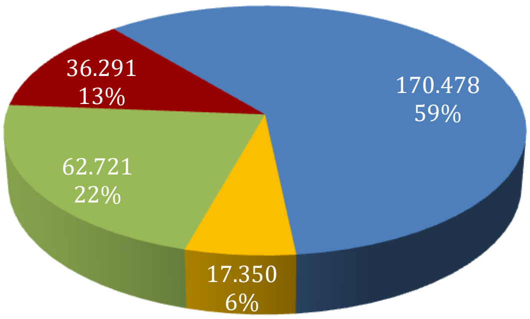
HS-DIESEL - 284.64 - Bds Cents per Litre *(effective March 16, 2014)*

- **Cost of Product** – 168.602
- **Margin to BNOCL/BNTCL**
  [BNOCL Margin = 0.750 / Loss Recovery = 10.000]
  [BNTCL Throughput Fee = 4.600 / Loss Recovery = 2.000
- **Margin to Government**
  [VAT = 42.393 / Excise Tax = 20.000]
- **Margin to Marketers**
  [Wholesalers' Margin =15.479 / Dealers' Margin = 20.812]

Chart 17

ULTRA-LOW-SULPHUR DIESEL

ULSD was introduced in November 2013



ULSD - 286.840 - Bds Cents per Litre *(effective March 16, 2014)*

- **Cost of Product** – 170.478
- **Margin to BNOCL/BNTCL**
  [BNOCL Margin = 0.750 / Loss Recovery = 10.000]
  [BNTCL Throughput Fee = 4.600 / Loss Recovery = 2.000
- **Margin to Government**
  [VAT = 42.721 / Excise Tax = 20.000]
- **Margin to Marketers**
  [Wholesalers' Margin =15.479 / Dealers' Margin = 20.812]

Terminal Overview

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

For the year under review, the terminal received, stored and distributed a lower volume of product than for the previous year.

In 2014, the terminal stored 3,805,740 barrels of petroleum products compared to 3,940,817 barrels or 3.4% lower volume than in 2013.

During the year, the terminal distributed 3,681,750 barrels of petroleum products or 245,258 barrels or 6.2% less than the volume handled in the previous year of 3,927,008. The decrease in the volume of petroleum products stored and distributed reflected a consistent decline in demand in recent years, and in the overall volume of petroleum products imported. Additionally, for the year under review the terminal distributed 4,430 barrels of kerosene, compared with 4,493 barrels in 2013.

The terminal successfully completed the Oistins Automation and Programmable Logic Controller (PLC) upgrade project in April 2014. This project greatly enhanced the operational efficiencies at the terminal facility with state-of-the-art technology, and facilitated the effective remote monitoring and control of the vessel discharge operations between the Oistins bay and the terminal at Fairy Valley.

During the year the terminal also successfully completed a very comprehensive tank inspection and cleaning exercise on four of the eight product tanks, without any logistical or safety issues. The two crude oil tanks were inspected and cleaned as part of integrity management best practices. In addition, during the year, both diesel tanks were inspected and refurbished in preparation for the introduction of Ultra-Low-Sulphur Diesel (ULSD). The introduction of ULSD was successfully executed in compliance with all acceptable quality assurance standards.

These sensitive high-quality operations at the terminal, were efficiently completed by contracted service providers and the terminal employees without any logistical or safety issues.

Pipeline Maintenance

As part of its Asset Integrity Management programme, the Company began the process for the In-line Intelligent Inspection of its seven pipelines in accordance with Industry best practices. In this regard, the Company has engaged a reputable pipeline integrity management company resident in the USA and a local engineering company to provide technical oversight and project management for the in-line inspection of the pipelines.

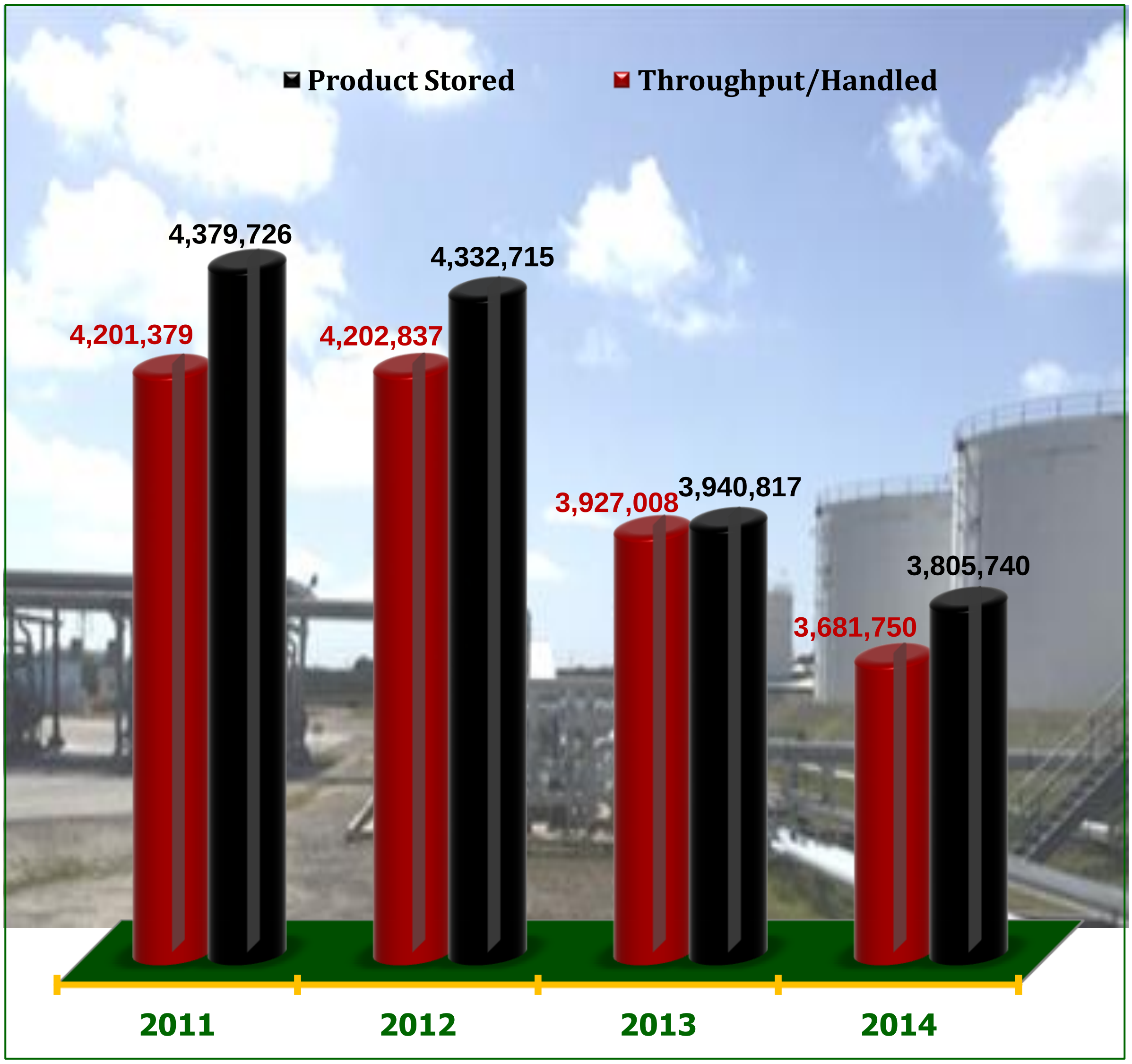
The terminal operations continued to be fully compliant with international standards and best industry practices. Its strong HSSE culture, application of sound risk and change management methodologies and safety management systems, resulted in the terminal maintaining its record for risk free operations and absence of loss time injury.

The Company continued to focus on the technical development of its staff through various training programmes, to increase the level of competencies in the areas of problems solving and other technical functions within its operations. These acquired competencies have been transferred to other areas of its operations to ensure that the level of operations remain compliant with local and international standards.

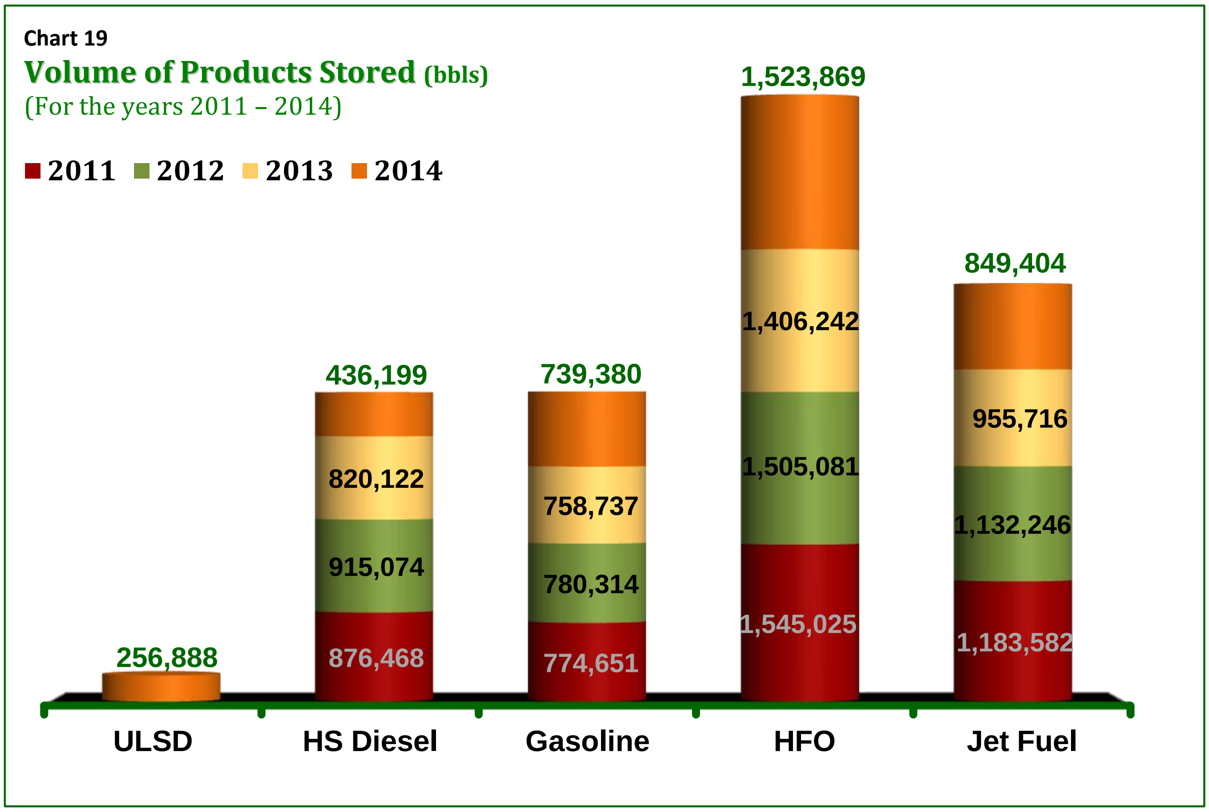
Chart 18

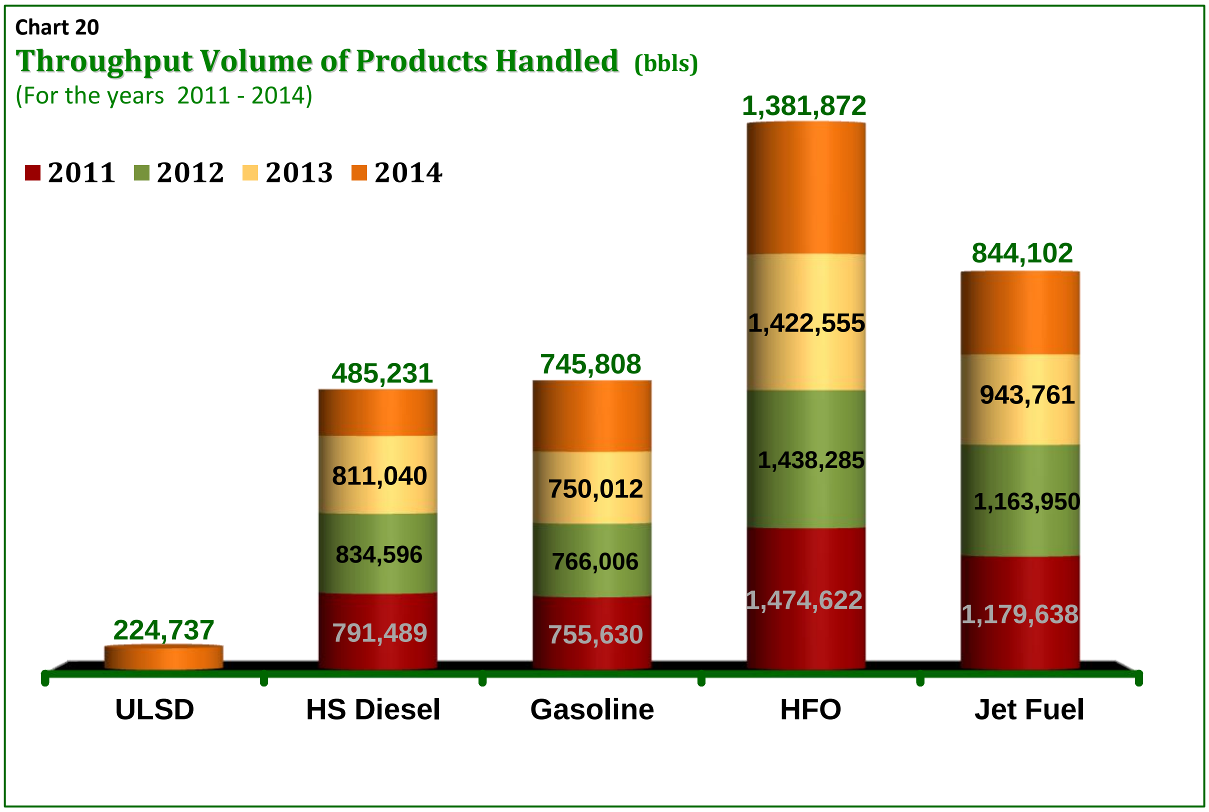
Total Volume of Product Stored and Throughput (bbls)

(For the years 2011 – 2014)



(The Company commenced the importation of Ultra-Low-Sulphur Diesel (ULSD) in November 2013, following the cessation of High-Sulphur Diesel (HSD) in October of that year).





BARBADOS NATIONAL OIL COMPANY LIMITED

Consolidated Financial Statements
March 31, 2014
(expressed in Barbados dollars)

BARBADOS NATIONAL OIL COMPANY LIMITED

Registered Office

Woodbourne
St. Philip
Barbados

Directors

Dr. Leonard Nurse – Chairman
Mr. Tennyson Beckles – Deputy Chairman
Mr. Hayden Workman
Ms. Monica Hinds (ended June 2013)
Mr. Everton Lashley
Ms. Jean Hill
Mr. Ronald Hewitt
Mr. Leslie Barker
Mr. Wayne Forde
Ms. Valerie Browne (ended October 2013)
Mr. Jehu Wiltshire (started October 2013)

Corporate Secretary

Mr. Winton Gibbs (ended January 2014)
Ms. Monica Hinds (started January 2014)

Auditor

PricewaterhouseCoopers SRL

Banker

Republic Bank (Barbados) Limited

Attorneys-at-Law

Roger C. Forde QC
Aidan J. Rogers
Charles Russell LLP

pwc

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, 2014, 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

pwc

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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

March 3, 2015
Bridgetown, Barbados

Barbados National Oil Company Limited

Consolidated Statement of Financial Position

As at March 31, 2014

(expressed in Barbados Dollars)

	2014 $	Restated 2013 $	Restated 2012 $
Current assets			
Cash and cash equivalents (note 5)	**3,112,801**	5,979,122	37,303,304
Term deposits (note 6)	**6,587,240**	183,489	5,176,699
Debt service reserve (note 7)	**9,907,559**	13,863,774	11,721,581
Accounts receivable (note 8)	**90,746,645**	92,258,143	101,211,442
Due by related companies (note 9)	**17,267,578**	15,926,761	16,863,090
Inventories (note 11)	**77,927,045**	82,879,379	84,727,578
Prepaid expenses	**153,254**	579,335	299,901
Financial investments (note 10)	**9,920,000**	–	–
Corporation tax refundable	**5,965**	–	–
	215,628,087	211,670,003	257,303,595
Current liabilities			
Bank overdraft (note 5)	**36,322,970**	9,696,283	–
Accounts payable and accrued liabilities (note 15)	**46,001,118**	72,279,860	113,872,977
Borrowings - current portion (note 7)	**31,661,658**	34,197,873	22,635,355
Due to Government of Barbados (note 16)	**10,200,000**	10,200,000	10,200,000
Corporation tax payable	**–**	1,214,910	–
	124,185,746	127,588,926	146,708,332
Working capital surplus	**91,442,341**	84,081,077	110,595,263
Financial investments (note 10)	**12,218,498**	14,920,211	14,000,000
Inventories (note 11)	**49,463**	159,507	661,774
Investment in associated company (note 12)	**738,100**	838,577	1,173,126
Property, plant and equipment (note 13)	**193,043,463**	200,261,495	195,703,117
Deposit on plant and equipment (note 14)	**2,075,146**	436,545	507,169
Provision for abandonment (note 17)	**(27,929,997)**	(27,929,997)	(28,519,997)
Due from Government of Barbados (note 18)	**2,219,345**	2,219,345	2,219,345
Employee benefits (note 19)	**(1,865,717)**	(1,944,787)	(726,234)
Borrowings (note 7)	**(130,138,124)**	(160,997,603)	(211,990,001)
Deferred tax liability (note 20)	**(1,553,774)**	(1,372,359)	(1,243,482)
Net assets	**140,298,744**	110,672,011	82,380,080
Represented by:			
Equity			
Share capital (note 21)	**41,014,809**	41,014,809	41,014,809
Retained earnings	**99,283,935**	69,657,202	41,365,271
	140,298,744	110,672,011	82,380,080

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

Barbados National Oil Company Limited
Consolidated Statement of Changes in Equity
For the year ended March 31, 2014
(expressed in Barbados Dollars)

	Share capital $	Retained earnings $	Total $
Balance at April 1, 2012 - as previously reported	41,014,809	41,186,048	82,200,857
Effect of change in accounting policy (note 30)	–	179,223	179,223
Balance at April 1, 2012 - restated	41,014,809	41,365,271	82,380,080
Comprehensive income for the year			
Net income for the year - as previously reported	–	29,523,029	29,523,029
Prior period adjustment (note 30)	–	(29,576)	(29,576)
Other comprehensive loss	–	(1,201,522)	(1,201,522)
Total comprehensive income for the year	–	28,291,931	28,291,931
Balance at March 31, 2013 - restated	41,014,809	69,657,202	110,672,011
Comprehensive income for the year			
Net income for the year	–	29,030,862	29,030,862
Other comprehensive income	–	595,871	595,871
Total comprehensive income for the year	–	29,626,733	29,626,733
Balance at March 31, 2014	**41,014,809**	**99,283,935**	**140,298,744**

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

Barbados National Oil Company Limited

Consolidated Statement of Comprehensive Income

As at March 31, 2014

(expressed in Barbados Dollars)

	2014 $	Restated 2013 $
Revenue		
Upstream revenue (note 22)	**3,826,590**	3,763,283
Refined products sales	**717,630,761**	782,380,571
Terminal throughput fees	**7,536,196**	8,202,486
	728,993,547	794,346,340
Operating costs		
Cost of goods sold - refined products (note 25)	**644,065,949**	702,840,116
Facilities leasing costs (note 28)	**3,492,838**	3,342,533
Terminal operating costs	**5,221,334**	6,285,789
Depreciation and depletion (note 13)	**13,121,126**	13,529,833
Royalties	**6,994,471**	7,165,857
Increase in provision for inventory obsolescence (note 11)	**2,547,336**	2,322,295
	675,443,054	735,486,423
Gross profit	**53,550,493**	58,859,917
General and administrative expenses (note 25)	**(12,982,364)**	(13,717,841)
Interest expense (note 7)	**(12,964,672)**	(14,680,914)
Operating profit	**27,603,457**	30,461,162
Other income (note 23)	**243,853**	966,990
Income before undernoted item and taxation	**27,847,310**	31,428,152
Share of loss of associated company (note 12)	**(100,477)**	(334,549)
Income before taxation	**27,746,833**	31,093,603
Taxation (note 20)	**1,284,029**	(1,600,150)
Net income for the year	**29,030,862**	29,493,453
Other comprehensive income		
Remeasurements of defined employee benefits	**595,871**	(1,201,522)
Total comprehensive income for the year	**29,626,733**	28,291,931

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

Barbados National Oil Company Limited
Consolidated Statement of Cash Flows
For the year ended March 31, 2014
(expressed in Barbados Dollars)

	2014 $	Restated 2013 $
Cash flows from operating activities		
Net income for the year before tax	**27,746,833**	31,093,603
Adjustments for:		
Depreciation and depletion	**13,121,126**	13,529,833
Provision for inventory obsolescence	**(2,547,336)**	(2,322,295)
Pension plan expense	**1,296,153**	727,757
Share of loss of associated company	**100,477**	334,549
Interest expense	**12,964,672**	14,680,914
Interest income	**(33,306)**	(1,460,323)
Loss/(gain) on disposal of property, plant and equipment	**28,696**	(66,808)
Amortisation of inventories	**110,044**	590,393
Amortisation of bond issue cost	**227,301**	245,105
Operating income before working capital changes	**53,014,660**	57,352,728
Decrease in accounts receivable	**1,511,498**	8,953,299
(Increase)/decrease in amount due by related companies	**(1,340,817)**	936,329
Decrease in inventories	**7,499,670**	4,170,494
Decrease/(increase) in prepaid expenses	**426,081**	(279,434)
Decrease in accounts payable and accrued liabilities	**(26,278,742)**	(41,593,117)
Decrease in well abandonment provision	–	(590,000)
Cash from operations	**34,832,350**	28,950,299
Interest paid	**(13,251,039)**	(14,755,827)
Income taxes refunded/(paid)	**248,732**	(248,732)
Pension plan contributions paid	**(779,352)**	(710,726)
Interest received	**29,143**	1,452,692
Net cash generated from operating activities	**21,079,834**	14,687,706
Cash flows from investing activities		
Purchases of property, plant and equipment	**(6,326,742)**	(18,112,617)
(Deposit)/transfer on plant and equipment	**(1,638,601)**	70,624
Proceeds from disposal of property, plant and equipment	**196,005**	66,808
Adjustment of property, plant and equipment	**198,947**	24,406
Sale of inventory - tank heels	–	57,260
Purchase of inventory - tank heels	–	(145,386)
Interest received	**(3,751)**	(6,790)
Increase in short term deposits	**(6,400,000)**	5,000,000
Net cash used in investing activities	**(13,974,142)**	(13,045,695)
Carried forward	**7,105,692**	1,642,011

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

Barbados National Oil Company Limited

Consolidated Statement of Cash Flows ... continued

As at March 31, 2014

(expressed in Barbados Dollars)

	2014 $	Restated 2013 $
Brought forward	**7,105,692**	1,642,011
Cash flows from financing activities		
Repayment of borrowings	**(33,588,979)**	(43,770,933)
Debt service reserve	**3,956,215**	(2,142,193)
Proceeds from borrowings	**252,351**	4,170,861
Repayment of debt securities	**2,201,713**	–
Purchase of debt securities	**(14,920,000)**	(6,000,000)
Redemption of debt securities	**5,500,000**	5,079,789
Net cash used in financing activities	**(36,598,700**	(42,662,476)
Net decrease in cash and cash equivalents and bank overdraft	**(29,493,008)**	(41,020,465)
Cash and cash equivalents, less bank overdraft - beginning of year	**(3,717,161)**	37,303,304
Cash and cash equivalents, less bank overdraft - end of year (note 5)	**(33,210,169)**	(3,717,161)

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

NOTES

to Consolidated Financial Statements

(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 standards, amendments and interpretations adopted by the Company

IAS 1, (amendment)	'Presentation of financial statements' (effective July 1, 2012)
IAS 19, (amendment)	Employee benefits (effective January 1, 2013)
IFRS 12	'Disclosures of interests in other entities' (effective January 1, 2013
IFRS 13	'Fair value measurement' (effective January 1, 2013)

ii) New standards, amendments and interpretations mandatory for the first time for the financial period beginning January 1, 2013 but not currently relevant to the Company

IFRS 1, (amendment)	'First time adoption' on government loans (effective January 1, 2013)
IFRS 7 (amendment)	'Financial instrument; Disclosures on offsetting financial assets and financial liabilities (effective January 1, 2013)
IFRS 10	'Consolidated financial statements' (effective January 1, 2013)
IFRS 11	'Joint arrangements' (effective January 1, 2013)
IFRS 13	'Fair value measurement' (effective January 1, 2013)
IAS 12 (amendment)	'Income taxes' on deferred tax (effective January 1, 2013)
IAS 27 (revised 2011)	'Separate financial statements' (effective January 1, 2013)
IAS 28 (revised 2011)	'Associates and joint ventures'
IFRIC 20	'Stripping costs in the production phase of a surface mine' (effective January 1, 2013)

2. Significant accounting policies …*continued*

a) Basis of preparation …*continued*

iii) ***New standards, amendments and interpretations issued but not yet effective for the financial period beginning January 1, 2013 and not early adopted***

IAS 36, (amendment) ‘Impairment of assets addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IFRS 9, ‘Financial instruments’, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

a) 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).

b) 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.

c) 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 amounts. 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 independent 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 are charged or credited to the consolidated statement of other comprehensive income in the period in which they arise.

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) 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.

s) 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 13. 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 19. 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 17. 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 11. 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.

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 2014 and 2013, the Group's borrowings at variable rate were denominated in the Barbados dollar and United States dollar.

At March 31, 2014, 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 $208,794 (2013 - $232,284) 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:

	2014		**2013**	
	$	**%**	**$**	**%**
Cash and bank balances	**3,112,801**	**2.56**	5,979,122	5.40
Term deposit	**6,587,240**	**5.44**	183,489	0.17
Debt service reserve	**9,907,559**	**8.18**	13,863,774	12.53
Accounts receivable	**74,337,166**	**61.37**	74,711,659	67.51
Due by related companies	**17,267,578**	**14.26**	15,926,761	14.39
Financial investments	**9,920,000**	**8.19**	–	–
	121,132,344	**100.00**	110,664,805	100.00

(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, 2014					
Bank overdraft	**36,322,970**	–	–	–	**36,322,970**
Secured bank loans	**11,001,390**	**21,082,597**	**30,490,268**	**25,932,039**	**88,506,294**
Secured bond issue	**30,473,144**	**34,584,206**	**38,219,492**	**16,723,460**	**120,000,302**
Trade and other payables	**39,802,298**	–	–	–	**39,802,298**
Due to Government of Barbados	**10,200,000**	–	–	–	**10,200,000**
Total liabilities	**127,799,802**	**55,666,803**	**68,709,760**	**42,655,499**	**294,831,864**
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

(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 $	Total $
At March 31, 2014			
Cash and cash equivalents	**3,112,801**	**–**	**3,112,801**
Term deposits	**6,587,240**	**–**	**6,587,240**
Debt service reserve	**9,907,559**	**–**	**9,907,559**
Accounts receivable	**74,337,166**	**–**	**74,337,166**
Due by related companies	**13,905,019**	**3,362,559**	**17,267,578**
Financial investments	**9,920,000**	**12,218,498**	**22,138,498**
Assets held for managing liquidity	**117,769,785**	**15,581,057**	**133,350,842**
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	123,329,654	17,772,204	141,101,858

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

	2014 $	2013 $
Cash and cash equivalents	**3,112,801**	5,979,122
Bank overdraft	**(36,322,970)**	(9,696,283)
	(33,210,169)	(3,717,161)

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 3.74% per annum. The effective rate in 2014 applicable to the facility at the consolidated statement of financial position was 6.25% (2013 - 6.25%).

6. Term deposits

	2014 $	2013 $
Term deposits	**6,587,240**	183,489

Term deposits have maturities of 6 months or less and bear interest at 1.60% to 1.85% (2013 - 2.60% to 2.85%).

(expressed in Barbados Dollars)

7. Borrowings

	2014 $	2013 $
i) Barbados National Oil Company Limited	**63,426,305**	87,278,110
ii) Barbados National Terminal Company Limited	**98,373,477**	107,917,366
	161,799,782	195,195,476
Less: Current portion	**(31,661,658)**	(34,197,873)
Long-term portion	**130,138,124**	160,997,603

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 series at fixed and floating rates:

i) Series 1 - BDS$25M with interest rate of 5.25% per annum 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:

	2014 $	2013 $
a) Fixed rate bonds - BD$	**37,482,939**	57,942,913
b) Floating rate bonds - US$	**26,591,254**	30,188,785
	64,074,193	88,131,698
Less issue costs	**(647,888)**	(853,588)
	63,426,305	87,278,110

(expressed in Barbados Dollars)

7. Borrowings *...continued*

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

Bond issue *...continued*

	2014 $	2013 $
Non-current		
a) Fixed rate bonds - BD$/US$	**19,697,017**	37,482,539
b) Floating rate bonds - US$	**22,723,827**	26,591,254
	42,420,844	64,073,793
Less issue costs	**(647,888)**	(853,588)
	41,772,956	63,220,205
Current		
a) Fixed rate bonds - BDS$/US$	**17,785,922**	20,460,374
b) Floating rate bonds - US$	**3,867,427**	3,597,531
	21,653,349	24,057,905
	63,426,305	87,278,110

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	
	2014 $	2013 $	2014 $	2013 $
Borrowings	**42,420,844**	64,073,793	**91,672,344**	96,551,014

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 3.53% to 6.52% (2013 - 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

	2014 $	2013 $
Non-current		
a) Fixed rate bond	**28,750,000**	31,250,000
b) Bank borrowings	**45,694,444**	49,583,333
c) Bank borrowings	**13,920,724**	16,944,065
	88,365,168	97,777,398
Current		
Borrowings	**10,008,309**	10,139,968
Total borrowings	**98,373,477**	107,917,366

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

	2014 $	2013 $
1 - 2 years	**20,986,500**	20,548,607
2 - 5 years	**32,239,774**	35,701,009
Over 5 years	**35,138,894**	41,527,782
	88,365,168	97,777,398

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% (2013 - 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 $30,000,000, 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% (2013 - 7.625%).

$66,596,020 of the Company's borrowings is exposed to interest rate changes as at the consolidated statement of financial position date.

The bond and loans are also secured by the following securities:

- Guarantee from Barbados National Oil Company Limited for $30.8M.
- Assignment of comprehensive insurance over the assets held as security.
- Assignment of Limit of Indemnity policy, over Fairy Valley for US$100M.

8. Accounts receivable

	2014 $	2013 $
Trade receivables - net	**65,389,340**	69,807,905
Loan receivable	**2,029,642**	2,029,642
Duty prepaid	**6,228,216**	11,283,138
VAT receivable	**10,215,884**	6,643,553
Other receivable	**6,883,563**	2,493,905
	90,746,645	92,258,143

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

(expressed in Barbados Dollars)

8. Accounts receivable *...continued*

Trade receivables that are less than 30 days past due are not considered impaired. As of March 31, 2014, trade receivables of $7,005,615 (2013 - $6,128,717) 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:

	2014 $	2013 $
Less than 30 days	**44,490,067**	50,052,064
30 - 60 days	**13,574,251**	11,297,064
61 - 90 days	**454**	886,114
Over 90 days	**9,354,210**	7,572,663
Total receivable	**67,418,982**	69,807,905

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

The maximum exposure to credit risk at March 31, 2014 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.

There was no impairment provision on accounts receivable in 2014 and 2013.

9. Related party transactions

Due by related companies:

	2014 $	2013 $
National Petroleum Corporation (NPC) (i)	**7,462,698**	6,860,790
Asphalt Processors Inc. (ii)	**9,804,880**	9,065,971
	17,267,578	15,926,761

i) The amount due by NPC is normally payable within 30 days of the invoice date. As at year end $3,362,559 (2013 - $2,851,993) were past due but not impaired. 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.

(expressed in Barbados Dollars)

10. Financial investments

	2014 $	2013 $
Non-Current		
Available-for-sale:		
Debt securities (unlisted)		
Made up as follows:		
Barbados Tourism Investment Inc	**3,333,333**	–
Barbados Agricultural Management Co. Ltd - Bond	**3,920,000**	9,420,000
Transport Board - Bond	**4,965,165**	5,500,211
	12,218,498	14,920,211

	2014 $	2013 $
Balance - beginning of year	**14,920,211**	14,000,000
Purchase of debt securities	**5,000,000**	6,000,000
Repayment of debt securities	**(2,201,713)**	–
Disposal of financial assets	**(5,500,000)**	(5,079,789)
Balance - end of year	**12,218,498**	14,920,211
Current		
Held-to-maturity		
Government of Barbados Treasury Note 3.54% (January 2, 2014 - October 1, 2014)	**9,920,000**	–
	22,138,498	14,920,211

Government of Barbados Treasury Note 3.54% was held by Republic Finance & Trust (Barbados) Corporation as security for Bond Series 2 which matures on December 31, 2014.

No provision for impairment of financial investments was required in 2014.

The fair value of held-to-maturity investments at year end was $9,920,339.

(expressed in Barbados Dollars)

11. Inventories

	2014 $	2013 $
Refined products	**48,992,782**	47,101,203
Crude oil	**13,926,073**	18,610,092
Materials	**24,693,948**	25,424,564
Goods in transit	**57,145**	700,966
	87,669,948	91,836,825
Less: non-current portion - tank heel	**(49,463)**	(159,507)
	87,620,485	91,677,318
Less: provision for obsolescence on materials	**(9,693,440)**	(8,797,939)
	77,927,045	82,879,379

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.

12. Investment in associated company

	2014 $	2013 $
Equity value of investment - beginning of year	**838,577**	1,173,126
Share of loss of associated company for the year	**(100,477)**	(334,549)
Equity value of investment - end of year	**738,100**	838,577

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

(expressed in Barbados Dollars)

13 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	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
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)
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)

13 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, 2014										
Opening 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
Additions	324,840	1,450,566	173,928	-	-	60,289	1,635,460	1,205,073	1,476,586	6,326,742
Transfers	(814)	1,065	1	-	-	-	(11,053)	-	(188,146)	(198,947)
Disposals - cost	(89,229)	(932,296)	(383,029)	-	-	-	(2,285,247)	(117,424)	-	(3,807,225)
Accumulated Dep. on disposals	36,596	927,891	332,790	-	-	-	2,285,247	-	-	3,582,524
Depreciation and depletion charges	(627,730)	(656,108)	(577,069)	(811,163)	(92,171)	(14,101)	(5,444,376)	(4,898,408)	-	(13,121,126)
Closing net book Amount	**14,100,213**	**1,365,895**	**1,410,596**	**8,123,830**	**879,951**	**139,181**	**100,752,497**	**64,098,597**	**2,172,703**	**193,043,463**
At March 31, 2014										
Cost	19,429,616	4,150,025	3,805,387	38,906,847	11,307,417	1,102,082	152,628,983	186,703,205	2,172,703	420,206,265
Accumulated depreciation	(5,329,403)	(2,784,130)	(2,394,791)	(30,783,017)	(10,427,466)	(962,901)	(51,876,486)	(122,604,608)	-	(227,162,802)
Net book amount	**14,100,213**	**1,365,895**	**1,410,596**	**8,123,830**	**879,951**	**139,181**	**100,752,497**	**64,098,597**	**2,172,703**	**193,043,463**

(expressed in Barbados Dollars)

14. Deposit on plant and equipment

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

15. Accounts payable and accrued liabilities

	2014 $	2013 $
Trade payables	**24,706,280**	55,324,492
Excise tax payable	**83,480**	83,480
VAT payable	**6,012,500**	1,609,148
Accrued expenses	**15,078,756**	15,143,853
Other payables	**120,102**	118,887
	46,001,118	72,279,860

16. 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.

17. Provision for abandonment

	2014 $	2013 $
Balance at beginning of year	**27,929,997**	28,519,997
Decrease in provisions for the year	–	(590,000)
Balance at end of year	**27,929,997**	27,929,997

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. In the prior year the Group decreased the provision by $590,000 as these wells were already accounted for by the parent company.

(expressed in Barbados Dollars)

18. Due from Government of Barbados

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.

	2014	**2013**
	$	**$**
Balance at beginning and end of year	**2,219,345**	2,219,345

19. 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:

		Restated
	2014	**2013**
	$	**$**
Fair value of plan assets	**11,953,510**	10,627,822
Present value of funded obligations	**(13,819,227)**	(12,572,609)
Net liability in the consolidated statement of financial position	**(1,865,717)**	(1,944,787)

(expressed in Barbados Dollars)

19. Employee benefits *...continued*

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

	2014 $	Restated 2013 $
Present value of obligation - beginning of year	**12,572,609**	9,816,416
Interest cost	**1,038,876**	813,135
Current service cost (including voluntary contributions)	**1,046,572**	866,255
Past service cost - vested benefits	**341,945**	–
Benefits paid	**(61,760)**	(54,782)
Actuarial (gain)/loss on obligation	**(1,119,015)**	1,131,585
Present value of obligation - end of year	**13,819,227**	12,572,609

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

	2014 $	2013 $
Fair value of plan assets - beginning of year	**10,627,822**	9,090,182
Expected return on plan assets	**338,756**	743,331
Contributions - total	**1,065,026**	937,182
Benefits paid	**(61,760)**	(54,782)
Administration and other non Plan Investment Management expenses	**(16,334)**	(88,091)
Fair value of plan assets - end of year	**11,953,510**	10,627,822

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

	2014 $	Restated 2013 $
Net liability at beginning of year	**(1,944,787)**	(726,234)
Net expense recognised in the statement of comprehensive income	**(1,296,153)**	(727,757)
Contributions paid	**779,352**	710,726
Remeasurements included in the statement of other comprehensive income	**595,871**	(1,201,522)
Net liability at end of year	**(1,865,717)**	(1,944,787)

(expressed in Barbados Dollars)

19. Employee benefits *...continued*

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

	2014	**Restated 2013**
	$	**$**
Current service cost	**760,899**	639,800
Interest on obligation	**1,038,876**	813,135
Expected return on plan assets	**(861,901)**	(738,178)
Administration and other non Plan Investment Management expenses	**16,334**	13,000
Past service cost	**341,945**	–
Total included in employee expenses	**1,296,153**	727,757
Actual return on plan assets	**338,756**	668,241

Plan assets are comprised as follows:

	2014	**2013**
Mortgages	**18%**	19%
Bonds	**51%**	49%
Equities	**21%**	20%
Real estate	**4%**	5%
Current assets and liabilities	**6%**	7%
	100%	100%

(expressed in Barbados Dollars)

19. Employee benefits *...continued*

Expected contributions for the year ending March 31, 2015 are $949,505. The next full triennial valuation is due on April 1, 2016. Interim valuations are performed at each year end.

	2014	**Restated 2013**	**2012**	**2011**	**2010**
	$	**$**	**$**	**$**	**$**
Present value of funded obligation	**(13,819,227)**	(12,572,609)	(9,816,416)	(7,714,919)	(7,725,032)
Fair value of plan assets	**11,953,510**	10,627,822	9,090,182	8,001,940	6,847,791
	(1,865,717)	(1,944,787)	(726,234)	287,021	(877,241)
Unrecognised actuarial gains	–	–	–	(551,516)	522,072
Deficit	**(1,865,717)**	(1,944,787)	(726,234)	(264,495)	(355,169)
Experience adjustments on plan liabilities	**(1,119,015)**	1,131,585	(156,461)	(1,277,483)	28,120
Experience adjustments on plan assets	**(16,334)**	(88,091)	(516,449)	(203,892)	(169,676)

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

(expressed in Barbados Dollars)

20. 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:

	2014 $	2013 $
Current tax	**5,829**	1,471,273
Deferred tax charge	**203,352**	128,877
Over provision of prior year current tax	**(1,471,273)**	–
Over provision of prior year deferred tax	**(21,937)**	–
	(1,284,029)	1,600,150

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:

	2014 $	Restated 2013 $
Net income before taxation	**27,746,833**	31,093,603
Tax calculated at statutory rate of 25% (2013 - 25%)	**6,936,708**	7,773,401
Tax effects of the following:		
Income not subject to tax under Petroleum Winnings Operations Taxation Act Cap. 82	**(3,265,436)**	(2,230,082)
Expenses not deductible for tax purposes	**1,452,111**	1,709,607
Decrease in deferred tax asset not recognised	**(4,762,181)**	(5,370,464)
Prior year over provision - current and deferred tax	**(1,493,210)**	(119,700)
Gains not subject to tax	**25,119**	83,638
Commercial building allowance	**(12,500)**	(12,500)
Investment allowance	**(164,640)**	(233,750)
	(1,284,029)	1,600,150

(expressed in Barbados Dollars)

20 Taxation *...continued*

The unrecognised deferred tax asset consists of the following components:

	2014 $	Restated 2013 $
Accelerated tax depreciation	**(7,468,091)**	(12,947,959)
Unutilized tax losses (note 24)	**75,693,555**	100,547,820
Inventory provision	**350,681**	636,364
Unpaid interest	**236,023**	194,109
Pension asset	**(1,865,717)**	(1,944,787)
	66,946,451	86,485,547
Deferred tax asset at 25% (2013 - 25%)	**16,736,613**	21,621,387

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

The deferred tax liability comprises as follows:

	2014 $	2013 $
Accelerated depreciation	**6,215,095**	5,489,434
Deferred tax liability at 25% (2013 - 25%)	**(1,553,774)**	(1,372,359)

The above temporary differences have no expiry date.

(expressed in Barbados Dollars)

21. Share capital

Authorised

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

Issued

	2014 $	2013 $
82,030 common shares	**41,014,809**	41,014,809

The shares are allotted as follows:

	2014 Number	2013 Number
Government of Barbados - common shares	**61,913**	61,913
National Petroleum Corporation - common shares	**20,117**	20,117
	82,030	82,030

22. Upstream revenue

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

	2014 $	2013 $
National Petroleum Corporation (a related party)	**3,826,590**	3,763,283

(expressed in Barbados Dollars)

23. Other income

	2014 $	2013 $
Lease of property (note 28)	**(488,000)**	(488,000)
Interest income	**944,883**	1,460,323
(Loss)/gain on disposal of property, plant and equipment	**(28,696)**	66,808
Other income	**31,841**	515,884
Amortisation of tank heels (note 11)	**(110,044)**	(590,393)
Other expenses - repair of pipeline at Oistins	**(106,131)**	2,368
	243,853	966,990

24. 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	13,319,076	3,512	(8,216,886)	–	5,105,702	2015
2007	15,157,703	–	–	–	15,157,703	2016
2008	12,575,469	–	–	–	12,575,469	2017
2009	59,489,267	–	(16,634,586)	–	42,854,681	2018
2012	6,305	–	(6,305)	–	–	2021
	100,547,820	3,512	(24,857,777)	–	75,693,555	

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

(expressed in Barbados Dollars)

25. Expenses by nature

	2014 $	Restated 2013 $
Petroleum products	**624,392,032**	683,774,982
Staff cost (note 26)	**14,194,542**	14,054,974
Repair and maintenance	**2,211,572**	3,144,717
Insurance	**2,767,835**	2,851,571
Utilities	**702,760**	760,633
Other	**12,779,672**	11,971,080
Total cost of sales and general and administrative expenses	**657,048,413**	716,557,957

26. Staff costs

Staff costs funded by the Group were as follows:

	2014 $	Restated 2013 $
Wages, salaries and bonus	**10,722,097**	10,654,016
Allowances	**530,208**	610,739
National insurance	**731,420**	737,438
Medical and other costs	**2,210,817**	2,052,781
	14,194,542	14,054,974
Number of persons employed by the Group at year end	**132**	131

The medical and other cost was restated by $27,042 as explained in note 30.

27. Key management compensation

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

	2014 $	2013 $
Salaries and other short-term benefits	**1,638,168**	1,661,224

(expressed in Barbados Dollars)

28. 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.

The movement in the lease for land is as follows:

	2014 **$**	**2013** **$**
Balance - beginning of year	**73,333**	985,333
Annual rent	**488,000**	488,000
Payment	**(480,000)**	(1,400,000)
Balance - end of year	**81,333**	73,333

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.

29. 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.

(expressed in Barbados Dollars)

30. Change in accounting policy

The Company adopted IAS 19 (revised 2011), 'Employee benefits' on April 1, 2012. The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

The effects of the change to the accounting policy are shown in the following tables:

Impact of change in accounting policy on consolidated statement of financial position:

	(Previously stated) 2013 $	Adopt IAS 19 (revised 2011) $	Restated 2013 $
2013			
Non-current liabilities			
Employee benefits	(895,446)	(1,049,341)	(1,944,787)
Equity			
Retained earnings	70,706,543	(1,049,341)	69,657,202

	(Previously stated) April 1, 2012 $	Adopt IAS 19 (revised 2011) $	Restated April 1, 2012 $
2012			
Non-current liabilities			
Employee benefits	(905,457)	179,223	(726,234)
Equity			
Retained earnings	41,186,048	179,223	41,365,271

(expressed in Barbados Dollars)

30. Change in accounting policy *...continued*

Impact of change in accounting policy on the consolidated statement of comprehensive income:

	For the year ended March 31, 2013 $	Adopt IAS 19 (revised 2011) $	As restated for the year ended March 31, 2013 $
2013			
Employee benefits expense	(14,054,974)	27,042	(14,027,932)
Income before taxation	31,120,645	(27,042)	31,093,603
Taxation	(1,600,150)	–	(1,600,150)
Net income for the year	29,520,495	(27,042)	29,493,453
Other comprehensive income			
Items that will not be reclassified to income:			
Remeasurements of defined employee benefits	–	(1,201,522)	(1,201,522)
	–	(1,201,522)	(1,201,522)
Total comprehensive income for the year	29,520,495	(1,228,564)	28,291,931

(expressed in Barbados Dollars)

30. Change in accounting policy *...continued*

Impact of change in accounting policy on the consolidated statement of changes in equity:

	Retained earnings $
Balance as at April 1, 2012 - as previously reported	41,186,048
Effect of change in accounting policy:	
Actuarial losses on employee benefits	179,223
Balance as at April 1, 2012 as restated	41,365,271
Profit for the year as previously reported	29,520,495
Effect of change in accounting policy:	
Actuarial losses on employee benefits	(27,042)
Net income for the year as restated	29,493,453
Other comprehensive income for the year as previously reported	–
Effect of change in accounting policy:	
Remeasurements of employee benefits	(1,201,522)
Other comprehensive income for the year as restated	(1,201,522)
Total comprehensive income for the year as previously reported	29,520,495
Effect of change in accounting policy:	
Actuarial losses on employee benefits	(27,042)
Remeasurements of employee benefits	(1,201,522)
Total comprehensive income for the year as restated	28,291,931
Balance as at March 31, 2013 as previously reported	70,706,543
Effect of change in accounting policy	(1,049,341)
Balance as at March 31, 2013 as restated	69,657,202

31. Subsequent events

On September 18, 2014, the Cabinet of the Government of Barbados agreed to the divestment of BNTCL. The Board of Directors at its meeting of December 19, 2014 approved the divestment of BNTCL. The Group is in the process of identifying potential purchasers to whom an approach can be made for expressions of interest. It is expected the divestment will be concluded during the 2015/2016 fiscal year.

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

Audited

Non-Consolidated

Financial Statements

for

Subsidiary Companies

Barbados National Oil Company Limited

Statement of Financial Position

As at March 31, 2014

(expressed in Barbados Dollars)

	2014 $	Restated 2013 $	Restated 2012 $
Current assets			
Cash on hand and at bank (note 5)	**186,155**	985,892	32,081,996
Term deposits (note 6)	**6,587,240**	183,489	5,176,699
Debt service reserve (note 7)	**9,907,559**	13,863,774	11,721,581
Accounts receivable and prepayments (note 8)	**82,679,139**	81,872,109	92,603,877
Due from subsidiary companies (note 9)	**86,460,628**	95,158,556	85,085,197
Due from associated company (note 9)	**9,804,880**	9,065,971	6,033,340
Inventories (note 10)	**61,445,566**	62,279,881	65,949,646
Financial investments (note 12)	**9,920,000**	–	–
	266,991,167	263,409,672	298,652,336
Current liabilities			
Bank overdraft (note 5)	**36,322,970**	9,696,283	–
Accounts payable and accrued liabilities (note 11)	**42,629,788**	67,876,046	106,588,070
Borrowings - current portion - (note 7)	**21,653,349**	24,057,905	12,633,808
	100,606,107	101,630,234	119,221,878
Working capital surplus	**166,385,060**	161,779,438	179,430,458
Financial investments (note 12)	**12,218,498**	14,920,211	14,000,000
Investments in subsidiary companies (note 13)	**1,002**	1,002	1,002
Investment in associated company (note 14)	**648,470**	648,470	648,470
Property, plant and equipment (note 15)	**33,640,229**	33,286,565	34,251,220
Deposit on plant and equipment (note 16)	**79,061**	16,868	230,199
Due from subsidiary companies (note 9)	**1,400,000**	1,400,000	1,400,000
Employee benefits (note 17)	**(2,110,938)**	(2,077,376)	(920,467)
Due to subsidiary company (note 9)	**(11,883)**	(704,290)	(3,214,095)
Provision for abandonment (note 18)	**(23,875,000)**	(23,875,000)	(23,875,000)
Due from Government of Barbados (note 19)	**2,219,345**	2,219,345	2,219,345
Borrowings - long term (note 7)	**(41,772,956)**	(63,220,205)	(104,952,796)
Net assets	**148,820,888**	124,395,028	99,218,336
Represented by:			
Equity			
Share capital (note 20)	**41,014,809**	41,014,809	41,014,809
Retained earnings	**107,806,079**	83,380,219	58,203,527
	148,820,888	124,395,028	99,218,336

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

Barbados National Oil Company Limited

Statement of Comprehensive Income

For the year ended March 31, 2014

(expressed in Barbados Dollars)

	2014 $	Restated 2013 $
Revenue (note 21)	**720,230,571**	785,266,488
Operating costs		
Cost of goods sold - refined products (note 24)	**666,527,266**	728,598,182
Subsidiary lifting costs (note 9)	**11,145,281**	12,684,409
Royalties	**4,186,385**	4,587,990
Depreciation and depletion (note 15)	**3,211,433**	2,560,792
Increase in provision for obsolescence for the year (note 10)	**–**	136,364
	685,070,365	748,567,737
	35,160,206	36,698,751
General and administrative expenses (note 24)	**(6,334,671)**	(6,788,721)
	28,825,535	29,910,030
Other income and expenses (note 25)	**1,275,220**	3,945,163
Operating profit	**30,100,755**	33,855,193
Finance charges (note 7)	**(6,142,278)**	(7,562,291)
Income before taxation	**23,958,477**	26,292,902
Taxation (note 22)	**–**	–
Net income for the year	**23,958,477**	26,292,902
Other comprehensive income		
Remeasurements of defined employee benefits (note 27)	**467,383**	(1,116,210)
Total comprehensive income for the year	**24,425,860**	25,176,692

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

Barbados National Terminal Company Limited

Statement of Financial Position

As at March 31, 2014

(expressed in Barbados Dollars)

	2014 $	Restated 2013 $	Restated 2012 $
Assets			
Current assets			
Cash and cash equivalents (note 6)	**1,309,018**	2,877,382	2,725,484
Accounts receivable (note 7)	**631,610**	453,854	577,067
Inventories (note 8)	**596,181**	519,170	546,831
Prepaid expenses	**36,620**	51,880	85,113
Due from parent company (note 10)	**11,883**	704,290	3,214,095
Due from related party (note 10)	**1,488,437**	1,512,355	1,558,797
Corporation tax refundable	**11,794**	7,631	–
	4,085,543	6,126,562	8,707,387
Current liabilities			
Accounts payable and accrued liabilities (note 9)	**1,489,110**	1,278,877	2,413,057
Borrowings - current portion (note 13)	**10,008,309**	10,139,968	10,001,547
Due to Government of Barbados (note 14)	**10,200,000**	10,200,000	10,200,000
	21,697,419	21,618,845	22,614,604
Working capital deficiency	**(17,611,876)**	(15,492,283)	(13,907,217)
Inventories (note 8)	**49,463**	159,507	661,774
Employee benefits (note 21)	**245,221**	132,589	194,233
Property, plant and equipment (note 11)	**98,803,439**	103,791,810	108,514,155
Deposit on plant and equipment (note 12)	**1,461,808**	419,677	276,970
Borrowings - long-term (note 13)	**(88,365,168)**	(97,777,398)	(107,037,205)
	(5,417,113)	(8,766,098)	(11,297,290)
Represented by:			
Equity			
Share capital (note 16)	**1,000**	1,000	1,000
Accumulated deficit	**(5,418,113)**	(8,767,098)	(11,298,290)
	(5,417,113)	(8,766,098)	(11,297,290)

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

Barbados National Terminal Company Limited

Statement of Comprehensive Income

For the year ended March 31, 2014

(expressed in Barbados Dollars)

	2014 $	Restated 2013 $
Revenue		
Through-put fees (note 10)	**28,178,433**	29,372,001
Direct cost		
Facilities lease (note 22(ii))	**(3,492,838)**	(3,342,533)
Operating expenses (note 18)	**(5,221,334)**	(6,285,789)
	(8,714,172)	(9,628,322)
Gross profit	**19,464,261**	19,743,679
General and administrative expenses (note 18)	**(8,751,644)**	(8,968,978)
Other expenses (note 19)	**(669,726)**	(1,039,574)
Operating profit	**10,042,891**	9,735,127
Finance cost (note 13)	**(6,822,394)**	(7,118,623)
Income before taxation	**3,220,497**	2,616,504
Taxation (note 15)	**–**	–
Net income for the year	**3,220,497**	2,616,504
Other comprehensive income/(loss)		
Remeasurements of defined employee benefits (note 21)	**128,488**	(85,312)
Total comprehensive income for the year	**3,348,985**	2,531,192

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

Barbados National Oilfield Services Limited

Statement of Financial Position

As at March 31, 2014

(expressed in Barbados Dollars)

	2014 $	Restated 2013 $
Current assets		
Cash and cash equivalents (note 6)	**1,592,512**	2,104,154
Trade and other receivables (note 7)	**7,552,530**	10,459,635
Inventories (note 8)	**15,885,298**	20,080,328
Due from related company (note 9)	**7,462,698**	6,860,790
	32,493,038	39,504,907
Current liabilities		
Trade and other payables (note 10)	**1,796,833**	3,039,597
Due to parent company (note 12)	**85,379,452**	94,119,652
Due to fellow subsidiary companies (note 11)	**2,252,197**	2,184,889
Corporation tax payable	**–**	1,222,541
	89,428,482	100,566,679
Working capital deficiency	**(56,935,444)**	(61,061,772)
Deposit on plant and equipment (note 14)	**534,277**	–
Property, plant and equipment (note 13)	**58,984,858**	61,553,871
Provision for abandonment (note 16)	**(4,054,997)**	(4,054,997)
Deferred tax liability (note 15)	**(1,553,774)**	(1,372,359)
Net liabilities	**(3,025,080)**	(4,935,257)
Represented by:		
Shareholder's equity		
Share capital (note 17)	**1**	1
Accumulated deficit	**(3,025,081)**	(4,935,258)
	(3,025,080)	(4,935,257)

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

Barbados National Oilfield Services Limited
Statement of Comprehensive Income
For the year ended March 31, 2014
(expressed in Barbados Dollars)

	2014 $	Restated 2013 $
Revenue		
Crude oil sales (note 21)	**21,037,197**	19,298,374
Natural gas sales (note 21)	**1,427,488**	1,324,559
	22,464,685	20,622,933
Operating costs		
Royalties	**2,808,086**	2,577,867
Field expenses	**4,512,046**	8,883,231
Workover expenses	**2,357,885**	845,354
Warehousing expenses	**2,069,828**	1,250,123
Production expenses	**4,371,226**	3,849,046
Maintenance expenses	**2,061,686**	1,821,830
Engineering expenses	**981,940**	897,036
Geological expenses	**393,134**	378,056
LPG Plant expenses	**1,105,106**	1,312,020
Depreciation and depletion (note 13)	**4,904,778**	5,884,301
Inventory write-off	**2,077,398**	(1,447,500)
Increase in inventory obsolence	**2,547,336**	2,185,931
	30,190,449	28,437,295
Less: Parent lifting cost recovery (note 21)	**(11,145,281)**	(12,684,409)
	19,045,168	15,752,886
Gross profit	**3,419,517**	4,870,047
General and administrative expenses (note 18)	**(2,804,561)**	(2,967,644)
Other income		
(Loss)/gain on disposal of property, plant and equipment	**(16,814)**	53,191
Miscellaneous income	**22,177**	495,884
Income before taxation	**620,319**	2,451,478
Taxation (note 15)	**1,289,858**	(1,600,150)
Net comprehensive income for the year	**1,910,177**	851,328

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

Barbados National Holding Company Limited
Statement of Financial Position
As at March 31, 2014
(expressed in Barbados Dollars)

	2014 $	2013 $
Assets		
Current assets		
Cash	**25,116**	11,694
Due from related company (note 6)	**763,655**	672,533
	788,771	684,227
Property, plant and equipment (note 7)	**1,614,937**	1,629,249
Total assets	**2,403,708**	2,313,476
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**15,449**	15,234
Due to parent company (note 6)	**1,080,904**	1,038,904
Corporation tax payable	**5,829**	–
	1,102,182	1,054,138
Non-current liabilities		
Loan due to parent company (note 6)	**1,400,000**	1,400,000
Total liabilities	**2,502,182**	2,454,138
Equity		
Share capital (note 9)	**1**	1
Accumulated deficit	**(98,475)**	(140,663)
Total equity	**(98,474)**	(140,662)
Total liabilities and equity	**2,403,708**	2,313,476

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

Non-
Consolidated

Barbados National Holding Company Limited
Statement of Comprehensive Income
For the year ended March 31, 2014
(expressed in Barbados Dollars)

	2014 $	2013 $
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	**47,921**	28,896
Property taxes	**22,500**	22,500
Professional fees	**11,530**	11,336
Depreciation (note 7)	**14,312**	14,312
Bank charges	**140**	194
	96,403	77,238
Operating profit	**90,017**	109,182
Finance cost (note 6)	**(42,000)**	(41,914)
Income for the year before taxation	**48,017**	67,268
Taxation **(note 8)**	**(5,829)**	–
Total comprehensive income for the year	**42,188**	67,268

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

2014
Annual Report

BARBADOS NATIONAL OIL COMPANY LIMITED

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