THE WEST INDIES OIL COMPANY LIMITED

Consolidated Financial Statements

December 31, 2018

(Expressed in Eastern Caribbean Dollars)

THE WEST INDIES OIL COMPANY LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
THE WEST INDIES OIL COMPANY LIMITED

Opinion

We have audited the consolidated financial statements of The West Indies Oil Company Limited and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of profit and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

To the Board of Directors of
THE WEST INDIES OIL COMPANY LIMITED

Auditors' Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO

Chartered Accountants
November 28, 2019

Antigua and Barbuda

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Statement of Financial Position

December 31, 2018

(Expressed in Eastern Caribbean Dollars)

	Notes		2018	2017
Assets				
Current Assets				
Cash and cash equivalents		$	64,274,875	50,599,648
Trade and other receivables	6		104,619,272	93,547,505
Inventories	7		16,049,426	18,974,768
Deferred charges			223,138	-
Total Current Assets			185,166,711	163,121,921
Non-Current Assets				
Property held for development and sale	9		9,148,000	9,148,000
Investment property	10		1,586,102	2,055,464
Property, plant and equipment	11		200,784,698	166,615,764
Deferred tax asset	20		50,256	646,956
Total Non-Current Assets			211,569,056	178,466,184
Total Assets			396,735,767	341,588,105
Liabilities				
Current Liabilities				
Trade and other payables	12		120,624,225	108,242,559
Tax payable			2,207,380	1,528,235
Loan payable			7,650,000	-
Total Current Liabilities			130,481,605	109,770,794
Non-Current Liabilities				
Long term loan	13		36,337,500	13,500,000
Deferred tax liability			444,821	-
Total Non-Current Liabilities			36,782,321	13,500,000
Total Liabilities			167,263,926	123,270,794
Shareholders' Equity				
Share capital	14		14,800	14,800
Contributed surplus	15		128,889,407	128,889,407
Revaluation surplus	16		69,708,680	68,896,419
Accumulated surplus			30,858,954	20,516,685
Total Shareholders' Equity			229,471,841	218,317,311
Total Liabilities and Shareholders' Equity		$	396,735,767	341,588,105

Approved by the Board of Directors on November 28, 2019.

Director .... **Director**..

The notes on pages 7 to 37 are an integral part of these financial statements.

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

(Expressed in Eastern Caribbean Dollars)

	Notes	2018	2017
Sales		$ 341,336,726	279,541,749
Cost of sales		(288,403,512)	(230,107,430)
Gross profit		52,933,214	49,434,319
Other operating income	17	27,140,350	21,777,583
Net sales and other operating income		80,073,564	71,211,902
Operating expenses			
Selling, general and administrative	18	(36,936,159)	(36,065,626)
Depreciation on property, plant and equipment	11	(6,824,772)	(4,870,002)
Bad debts expense	6	(672,219)	-
Impairment		(810,000)	-
Exchange loss		(848,036)	(540,264)
Depreciation on investment property	10	(273,716)	(315,813)
Provision for APUA claim	22	-	(349,176)
		(46,364,902)	(42,140,881)
Net operating income		33,708,662	29,071,021
Finance cost			
Interest expense		(797,739)	-
		(797,739)	-
Net income before taxation		32,910,923	29,071,021
Taxation			
Corporation tax		(7,161,145)	(6,718,409)
Withholding tax		(18,000)	(91,250)
Deferred tax		(1,041,521)	(740,457)
	20	(8,220,666)	(7,550,116)
Net income for the year		24,690,257	21,520,905
Other comprehensive income			
Revaluation of land		812,261	-
Total comprehensive income for the year		$ 25,502,518	21,520,905

The notes on pages 7 to 37 are an integral part of these financial statements.

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2018

(Expressed in Eastern Caribbean Dollars)

		Share Capital	Contributed Surplus	Revaluation Surplus	Accumulated Surplus	Total
Balance at December 31, 2016	$	14,800	128,889,407	68,896,419	9,436,568	207,237,194
Total comprehensive income for the year		-	-	-	21,520,905	21,520,905
Dividend declared		-	-	-	(10,440,788)	(10,440,788)
Balance at December 31, 2017		14,800	128,889,407	68,896,419	20,516,685	218,317,311
Total comprehensive income for the year		-	-	812,261	24,690,257	25,502,518
Dividend declared		-	-	-	(14,347,988)	(14,347,988)
Balance at December 31, 2018	$	14,800	128,889,407	69,708,680	30,858,954	229,471,841

The notes on pages 7 to 37 are an integral part of these financial statements.

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2018

(Expressed in Eastern Caribbean Dollars)

	Notes		2018	2017
Cash flows from operating activities				
Net income before taxation		$	32,910,923	29,071,021
Adjustments for:				
Depreciation on property, plant and equipment	11		6,824,772	4,870,002
Depreciation on investment property	10		273,716	315,813
Provision for impairment of fixed asset			810,000	-
Bad debts expense			672,219	-
Gain on disposal of investment property			(1,254,232)	-
Gain on disposal of property, plant and equipment			-	(388,662)
Interest expense			797,739	-
Operating income before changes in working capital			41,035,137	33,868,174
Change in trade and other receivables			(11,967,124)	(13,524,566)
Change in inventories			2,925,342	(6,572,502)
Change in trade and other payables			13,181,742	37,610,725
			45,175,097	51,381,831
Taxes paid			(6,500,000)	(6,500,000)
Net cash provided by operating activities			38,675,097	44,881,831
Cash flows from investing activities				
Purchase of property, plant and equipment			(40,991,445)	(38,619,197)
Proceeds from the sale of property, plant and equipment			1,449,878	458,861
Interest paid			(797,739)	-
Net cash used in investing activities			(40,339,306)	(38,160,336)
Cash flows from financing activities				
Proceeds from long term loan			32,400,000	13,500,000
Dividends paid			(15,148,064)	(7,824,471)
Loan repayment			(1,912,500)	-
Net cash generated from financing activities			15,339,436	5,675,529
Increase in cash and cash equivalents during the year			13,675,227	12,397,024
Cash and cash equivalents, beginning of year			50,599,648	38,202,624
Cash and cash equivalents, end of year		$	64,274,875	50,599,648
Represented by:				
Cash and cash equivalents		$	64,274,875	50,599,648

The notes on pages 7 to 37 are an integral part of these financial statements.

(Expressed in Eastern Caribbean Dollars)

1. **Reporting Entity**:

The West Indies Oil Company Limited (the "Parent Company") is a private company incorporated on March 24, 1961 under the laws of Antigua and Barbuda. The Group is fifty-one (51%) majority owned by the Government of Antigua and Barbuda, 25% by PDVSA, the State-Owned petroleum company of the Bolivarian Republic of Venezuela and 24% by Fancy Bridge, an investment company based in the British Virgin Islands.

The principal activity of the Parent Company is the storage and distribution of petroleum products. The Group also engages in real estate development.

The registered office of the Parent Company is located at Friars Hill Road, St. John's, Antigua.

2. **Basis of Preparation**:

(a) *Statement of Compliance:*
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB).

These consolidated financial statements were approved by the Board of Directors on November 28, 2019.

(b) *Basis of Consolidation*:
These consolidated financial statements include the accounts of the Parent Company and its wholly-owned subsidiary, West Indies Oil Company (Dominica) Limited (collectively referred to as "the Group").

(i) *Subsidiary*
A subsidiary is an entity controlled by the Parent Company. The separate financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date the control ceases. The accounting policies of the subsidiary have been changed when necessary to align them with policies adopted by the Parent Company.

(c) *Basis of Measurement:*
These consolidated financial statements have been prepared on the historical cost basis, modified by the revaluation of land and buildings.

(d) *Functional and Presentation Currency*:
These consolidated financial statements are presented in Eastern Caribbean Dollars, which is the Group's functional currency. All financial information presented in Eastern Caribbean Dollars has been rounded to the nearest dollar.

2. **Basis of Preparation**: *(cont'd)*

(e) *Use of Estimates and Judgments:*

In preparation these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements:

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following note:

- Note 21 – land lease classification.

(ii) Assumptions and estimation uncertainties:

i. Measurement of fair values:

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

(Expressed in Eastern Caribbean Dollars)

2. **Basis of Preparation**: *(cont'd)*

(e) Use of Estimates and Judgements: (cont'd)

(ii) Assumptions and estimation uncertainties: (cont'd)

i. Measurement of fair values: (cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurements are categorised in entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note:

- Note 3(a) – financial instruments.

(f) New standards, interpretations and amendments effective from January 1, 2018:

New standards impacting the Group that will be adopted in the annual financial statements for the year ended December 31, 2018, and which have given rise to changes in the Group's accounting policies are:

- *IFRS 9 Financial Instruments* (IFRS 9); and
- *IFRS 15 Revenue from Contracts with Customers* (IFRS 15)

Details of the impact that these two standards have had are detailed in Note 24 below. Other new and amended Standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

2. **Basis of Preparation**: *(cont'd)*

(g) *New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are:

- *IFRS 16 Leases* (mandatorily effective for periods beginning on or after January 1, 2019)
- *IFRIC 23 Uncertainty over Income Tax Positions* (effective January 1, 2019).

IFRS 16 Leases
Adoption of IFRS 16 will result in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Group has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at January 1, 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

IFRIC 23 Uncertainty over Income Tax Positions
IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. When there is uncertainty over income tax treatments under IAS 12, it specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Other
The Group does not expect the following other standards issued by the IASB, but not yet effective, to have a material impact on the Group;

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective January 1, 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective January 1, 2019)
- Annual Improvements to IFRSs 2015-2017 Cycle (IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs) (effective January 1, 2019)
- IFRS 17 Insurance Contracts (effective January 1, 2021)

3. **Summary of Significant Accounting Policies:**

(a) *Financial Instruments:*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

The Group initially recognises loans and receivables on the date when they are originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and net amount presented in the statement of financial position when, and only when, the Group has legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(b) *Financial Assets:*

The Group currently classifies its financial assets as amortised cost as discussed below, depending on the purpose for which the asset was acquired.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(Expressed in Eastern Caribbean Dollars)

3. **Summary of Significant Accounting Policies**: *(cont'd)*

(b) Financial Assets: (cont'd)

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised.

For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(c) Financial Liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired:

- Fair value through profit or loss
- Other financial liabilities

Fair value through profit or loss

The Group does not currently have any liabilities designated as fair value through profit or loss.

Other financial liabilities

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(Expressed in Eastern Caribbean Dollars)

3. **Summary of Significant Accounting Policies**: *(cont'd)*

(d) *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.

(e) *Inventories:*
Inventories are stated at the lower of cost or net realisable value, cost being determined on a first in-first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. A provision is made when the recoverable amount of inventories is likely to be less than cost.

(f) *Property, Plant and Equipment:*

i. *Recognition and Measurement:*
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

ii. *Subsequent expenditure:*
Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. *Depreciation:*
Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Land improvements/roads	25 years
Building	10 – 20 years
Transportation	5 years
Terminal	10 – 30 years
Sales equipment	10 – 25 years
Furniture and other equipment	4 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Expressed in Eastern Caribbean Dollars)

3. **Summary of Significant Accounting Policies**: *(cont'd)*

(g) Investment Property:

Property held for rental and not occupied by the Group is classified as investment property. Investment property is comprised of warehouses and service stations and is carried at cost less accumulated depreciation and impairment losses, if any.

The Group uses the cost model to account for its investment property. Initially, an item of investment property is measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property.

Depreciation is provided using the straight-line method at rates considered adequate to write-off the cost, less residual value, over the estimated useful lives of the assets. The useful lives and depreciation method are reviewed at each reporting date to ensure that such useful lives and depreciation method are consistent with the expected pattern of economic benefits from those assets. Warehouses are depreciated at a rate of five (5%) percent annually, while service stations are depreciated at a rate of three (3%) percent to five (5%) percent annually.

(h) Revenue Recognition:

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met as described below.

Revenue from the sale of petroleum products is recognised upon the delivery of products and customer acceptance and is shown net of sales taxes.

(i) Property Held for Development and Sale:

Property held for development is measured at:

- Carrying value as at the time of classification as development property; plus
- Subsequent development and construction costs; less
- Amounts transferred to cost of sales relating to lots sold.

Costs directly related to the development of land held for development and sale are capitalised and include planning costs, consultancy fees and construction costs. General and administrative expenses associated with Friars Hill Development project are expensed in the year incurred.

Construction costs for houses are attributed to individual properties and de-recognised at the time of the sale of the lot upon which the house was built. Capitalised common development costs are assigned to individual lots based on the surveyed square footage of each lot and de-recognised at the time of the sale of the lot.

(j) Cash and Cash Equivalents:

Cash and cash equivalents comprise cash balances.

Included in cash and cash equivalents is a current account of EC$44,199,222 (2017: EC$36,847,232).

3. **Summary of Significant Accounting Policies**: *(cont'd)*

(k) *Taxation:*

Taxation on the profit or loss for the year comprises of current and deferred tax. Taxation is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the statement of financial position liability method and providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

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

(l) *Foreign Currency Translation:*

Transactions in foreign currencies are translated into Eastern Caribbean Dollars at the exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean Dollars at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(m) *Borrowings:*

Borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the term of the borrowings on an effective interest rate basis.

(n) *Provisions:*

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to liability.

(o) *Trade Payables:*

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

(Expressed in Eastern Caribbean Dollars)

3. **Summary of Significant Accounting Policies**: *(cont'd)*

(p) *Consolidation:*
A subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred. They are de-consolidated from the date that control ceases.

4. **Determination of Fair Values**:

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) *Trade and Other Receivables:*
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) *Non-derivative Financial Liabilities:*
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables and tax payable are not materially different from their carrying amount due to their short-term period to maturity or their contractual terms.

5. **Financial Risk Management**:

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and it also assesses financial and control risks to the Group.

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management**: *(cont'd)*

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Directors oversee how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Group.

(a) *Credit Risk*:
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

i. *Trade and Other Receivables:*
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the country in which customers operate, has less of an influence on credit risk. Geographically there is no concentration of credit risk.

ii. *Cash at hand and at Bank:*
Cash and cash equivalents are held with established financial institutions, which represent minimum risk of default.

The maximum exposure to credit risk at the reporting date was:

		2018	**2017**
Cash and cash equivalents	$	64,274,875	50,599,648
Trade and other receivables		103,741,739	87,330,000
	$	168,016,614	137,929,648

Credit risk in respect of trade and other receivables is limited as these balances are shown net of provision for doubtful debts. Cash at hand and at Bank are held with financial institutions which represent minimum risk of default.

(b) *Liquidity Risk:*
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management**: *(cont'd)*

(b) Liquidity Risk: (cont'd)

The following are the contractual maturities of financial assets and liabilities excluding the impact of netting arrangements:

			2018			
		Carrying Amounts	**Contractual Cash Flows**	**6 months or less**	**6 - 12 Months**	**More than 1 Year**
Assets						
Cash and cash equivalents	$	64,274,875	64,274,875	64,274,875	-	-
Trade and other receivables		104,619,272	104,619,272	104,465,057	154,215	-
		168,884,147	168,894,147	168,739,932	154,215	-
Liabilities						
Trade and other payables		(120,624,225)	(120,624,225)	(120,624,225)	-	-
Long term loan		(43,987,500)	(43,987,500)	(6,761,963)	(888,037)	(36,337,500)
		(164,611,725)	(164,611,725)	(127,386,188)	(888,037)	(36,337,500)
Liquidity cover	$	4,282,422	4,282,422	41,353,744	(733,822)	(36,337,500)
Cumulative liquidity cover	$	4,272,422	4,282,422	41,353,744	40,619,922	4,282,422

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management**: *(cont'd)*

(b) Liquidity Risk: (cont'd)

The following are the contractual maturities of financial assets and liabilities excluding the impact of netting arrangements:

		2017				
		Carrying Amounts	**Contractual Cash Flows**	**6 months or less**	**6 - 12 Months**	**More than 1 Year**
Assets						
Cash and cash equivalents	$	50,599,648	50,599,648	50,599,648	-	-
Trade and other receivables		93,547,505	93,547,505	93,393,290	154,215	-
		144,147,153	144,147,153	143,992,938	154,215	-
Liabilities						
Trade and other payables		(108,242,559)	(108,242,559)	(108,242,559)	-	-
Long term loan		(13,500,000)	(13,500,000)	-	-	(13,500,000)
		(121,742,559)	(121,742,559)	(108,242,559)	-	(13,500,000)
Liquidity cover	$	22,404,594	22,404,594	35,750,379	154,215	(13,500,000)
Cumulative liquidity cover	$	22,404,594	22,404,594	35,750,379	35,904,594	22,404,594

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management**: *(cont'd)*

(c) *Market Risk:*
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and price risk will affect the value of the Group's assets, the amount of its liabilities and/or income. Market risk arises from fluctuations in the value of liabilities and the value of investments held. The Group is exposed to market risk on certain of its financial assets.

(*i)* *Price Risk:*
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Group has no significant exposure to such risk.

(ii) *Interest Rate Risk:*
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest bearing liabilities, which are subject to interest rate adjustments within a specified period. The Group has no significant exposure to interest rate risk.

(iii) *Currency Risk:*
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The main currencies giving rise to this risk are the Eastern Caribbean Dollar and United States Dollar arising from purchasing transactions. The Group does not face any such risk since it transacts its operations in Eastern Caribbean Dollars, which is its functional currency. The Eastern Caribbean Dollar, in which the Group also transacts business, is fixed in relation to the United States Dollar.

(d) *Fair Value:*
The fair values of cash and cash equivalents, trade and other receivables and trade and other payables are not materially different from their carrying amount due to their short-term to maturity or their contractual terms.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

5. **Financial Risk Management**: *(cont'd)*

(e) *Capital Management*:
It is the Group's policy to maintain a strong capital base so as to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total shareholder's equity. The Group is not subject to externally imposed capital requirements and there were no changes in the Group's approach to capital management during the year.

6. **Trade and other Receivables**:

		2018	2017
Trade receivables	$	99,057,793	87,259,508
VAT recoverable, net		5,750,931	3,748,552
Prepayments		1,045,194	2,468,953
Other receivables		1,210,052	1,842,971
		107,063,970	95,319,984
Less: Provision for impairment - trade and other receivables		(2,444,698)	(1,772,479)
	$	104,619,272	93,547,505

The fair values of trade and other receivables approximates their carrying values above.

As of December 31, 2018, trade receivables of $75,459,507 (2017: $69,699,769) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging of these trade receivables is as follows:

		2018	2017
Overdue by 1 to 30 days	$	13,758,953	10,470,865
Overdue by 31 to 60 days		10,957,877	8,323,617
Overdue by more than 60 days		50,742,677	50,905,287
	$	75,459,507	69,699,769

As of December 31, 2018, trade receivables of $2,444,698 (2017: $1,772,479) were overdue by more than 90 days were considered impaired and provided for based on the Group's accounting policy (See Note 3).

(Expressed in Eastern Caribbean Dollars)

6. **Trade and other Receivables**: *(cont'd)*

The other classes within trade and other receivables do not contain impaired assets.

Movements on the provisions for impairment of trade receivables are as follows:

		2018	2017
At January 1	$	1,772,479	1,772,479
Bad debt expense		672,219	-
Write-offs		-	-
At December 31	$	2,444,698	1,772,479

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following:

		2018	2017
Eastern Caribbean dollars	$	74,465,485	73,841,751
United States dollars		30,153,787	19,705,754
	$	104,619,272	93,547,505

(Expressed in Eastern Caribbean Dollars)

7. **Inventories**:

		2018	2017
Fuel oil	$	730,258	6,452,003
Mogas		6,447,057	3,486,521
Diesel		4,588,751	5,904,074
LPG		775,522	105,951
Jet Fuel		-	-
Kerosene		22,234	5,178
Other		557,427	200,364
Total petroleum products		13,121,249	16,154,091
Consumable stores and supplies		2,928,177	2,820,677
	$	16,049,426	18,974,768

8. **Related Party Balances and Transactions**:

(a) *Related Parties:*

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:

   i) has control or joint control over the reporting entity;

   ii) has significant influence over the reporting entity; or

   iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

   i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii) Both entities are joint ventures of the same third party.

   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

8. **Related Party Balances and Transactions**: *(cont'd)*

(a) Related Parties: (cont'd)

b) An entity is related to a reporting entity if any of the following conditions applies: *(cont'd)*

v) The entity is controlled, or jointly controlled by a person identified in (a).

vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control or joint control of, or significant influence over, the reporting entity; and

b) another entity that is a related party because the same government has control or joint control of or significant influence over, both the reporting entity and the other entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) Remuneration of Key Members of Management:

Details of key management compensation, shown as part of payroll and related costs under selling, general and administrative expenses in the consolidated statement of comprehensive income, are shown below:

		2018	2017
Salaries and wages	$	1,176,470	1,176,376
Other staff costs		476,061	516,875
Pension costs		125,628	100,370
	$	1,778,159	1,793,621

(Expressed in Eastern Caribbean Dollars)

9. **Property Held for Development and Sale**:

		2018	2017
Balance at beginning of year	$	9,148,000	9,148,000
Land transferred to shareholder - Government of Antigua and Barbuda		-	-
Write-down of revaluation surplus		-	-
Balance at end of year	$	9,148,000	9,148,000

Land included in property held for development and sale was contributed to the Company by the Government of Antigua and Barbuda. The land was valued at its market value of $80,604,808 as of December 31, 1992 by an independent firm of appraisers.

In April 2015, as part of the transaction in which the government increased its minority shareholding from 25% to 100% of the shares thereby acquiring control of the company, lands with cost of $48,870,000 were transferred to the Government of Antigua and Barbuda (GOAB). This transaction resulted in an equivalent reduction in the revaluation surplus of the shareholders' equity.

As at December 31, 2015, the land was revalued at EC$9,148,000 resulting a decrease in revaluation surplus of EC$18,244,155 (Note 16).

(Expressed in Eastern Caribbean Dollars)

10. **Investment Property**:

		Warehouses	Service Stations	Total
Cost				
At December 31, 2016	$	1,903,480	5,213,505	7,116,985
Additions		-	-	-
Disposals		-	36,316	36,316
At December 31, 2017		1,903,480	5,249,821	7,153,301
Additions		-	-	-
Disposals		(1,468,230)	-	(1,468,230)
At December 31, 2018	$	435,250	5,249,821	5,685,071
Depreciation:				
At December 31, 2016	$	(1,501,835)	(3,280,189)	(4,782,024)
Charge for the year		(95,174)	(220,639)	(315,813)
Written back on disposal		-	-	-
At December 31, 2017		(1,597,009)	(3,500,828)	(5,097,837)
Charge for the year		(52,351)	(221,365)	(273,716)
Written back on disposal		1,272,584	-	1,272,584
At December 31, 2018	$	(376,776)	(3,722,193)	(4,098,969)
Net Book Value:				
At December 31, 2018	$	58,474	1,527,628	1,586,102
At December 31, 2017	$	306,471	1,748,993	2,055,464

The Directors of the Group have estimated the fair value of the above investment property as of December 31, 2018 to be EC$12,315,000 (2017: EC$12,315,000) based on comparable market transactions.

The following amounts in the consolidated statement of comprehensive income relate to investment property:

	Note		2018	2017
Rental income	17	$	746,396	568,214
Depreciation on investment		$	(273,716)	315,813

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements *(cont'd)*

December 31, 2018

(Expressed in Eastern Caribbean Dollars)

11. **Property, Plant and Equipment**:

	Land	Land Improvements/ Roads	Building	Transportation	Jetty and Tank Farm	Sales Equipment	Furniture and other Equipment	Mini Refinery	Construction In Progress	Total
Cost:										
At December 31, 2016	$ 59,774,000	3,719,834	5,243,936	6,100,351	123,971,887	21,380,594	9,938,385	1,211,730	42,493,690	273,834,407
Additions	-	-	360,377	1,251,540	66,494,817	1,272,298	1,145,778	-	33,223,090	103,747,900
Disposals/transfers	-	-	-	(253,495)	-	(3,868,034)	-	(1,211,730)	(65,165,019)	(70,498,278)
At December 31, 2017	59,774,000	3,719,834	5,604,313	7,098,396	190,466,704	18,784,858	11,084,163	-	10,551,761	307,084,029
Additions	-	-	1,393,201	1,450,924	12,966,334	1,022,730	1,397,006	-	37,379,820	55,610,015
Impairment	-	-	-	-	-	-	-	-	(810,000)	(810,000)
Revaluation	147,785	-	664,476	-	-	-	-	-	-	812,261
Disposals/transfers	-	-	-	-	-	-	-	-	(14,618,570)	(14,618,570)
At December 31, 2018	$ 59,921,785	3,719,834	7,661,990	8,549,320	203,433,038	19,807,588	12,481,169	-	32,503,011	348,077,735
Depreciation:										
At December 31, 2016	$ -	(1,651,849)	(4,891,320)	(5,245,692)	(103,715,263)	(15,735,489)	(8,485,579)	(1,136,130)	-	(140,861,322)
Charge for the year	-	(148,793)	(55,862)	(375,547)	(2,932,639)	(779,586)	(572,175)	(5,400)	-	(4,870,002)
Written back on disposals	-	-	-	253,495	-	3,868,034	-	1,141,530	-	5,263,059
At December 31, 2017	-	(1,800,642)	(4,947,182)	(5,367,744)	(106,647,902)	(12,647,041)	(9,057,754)	-	-	(140,468,265)
Charge for the year	-	(148,793)	(101,554)	(538,814)	(4,355,362)	(886,470)	(793,779)	-	-	(6,824,772)
Written back on disposals	-	-	-	-	-	-	-	-	-	-
At December 31, 2018	$ -	(1,949,435)	(5,048,736)	(5,906,558)	(111,003,264)	(13,533,511)	(9,851,533)	-	-	(147,293,037)
Net Book Value:										
At December 31, 2018	$ 59,921,785	1,770,399	2,613,254	2,642,762	92,429,774	6,274,077	2,629,636	-	32,503,011	200,784,698
At December 31, 2017	$ 59,774,000	1,919,192	657,131	1,730,652	83,818,802	6,137,817	2,026,409	-	10,551,761	166,615,764

(Expressed in Eastern Caribbean Dollars)

11. **Property, Plant and Equipment**: *(cont'd)*

Property, plant and equipment include seventy (70) acres of land contributed to the Group by the Government of Antigua and Barbuda. The land was valued at its market value as of December 31, 1992 by an independent firm of appraisers.

As at December 31, 2005, the above seventy (70) acres of land were revalued at EC$30,492,000, resulting in the recognition of an additional revaluation surplus of EC$5,414,949. As at December 31, 2014, the seventy (70) acres of land were revalued at EC$36,590,000, resulting in the recognition of an additional revaluation surplus of EC$6,098,000. The lands were further revalued as at December 31, 2015 to $59,764,000 resulting in the recognition at an additional revaluation surplus of EC$23,174,000 (Note 15).

The land was valued at its market value by an independent valuator. The revaluation surplus was credited to the 'revaluation surplus' account in equity (Note 16).

12. **Trade Payable and Other Payables**:

		2018	2017
Trade payables	$	104,485,290	85,641,157
Accrued liabilities		7,064,542	10,289,704
APUA Claim Payable (Note 22)		17,878	2,506,203
Security deposits		1,993,363	1,942,267
Dividend Payable		7,063,152	7,863,228
	$	120,624,225	108,242,559

All of the trade and other payables are contractually or constructively due within twelve (12) months of the reporting date.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

		2018	2017
Eastern Caribbean dollars	$	39,298,306	48,008,460
United States dollars		81,325,919	60,234,099
	$	120,624,225	108,242,559

(Expressed in Eastern Caribbean Dollars)

13. **Long-term Debt**:

		2018	2017
The Company entered into a loan agreement which resulted in access to loan funds totaling $45,900,000 at a rate of four and a half (4.5%) per annum repayable over seven (7) years. The purpose of the loan is to finance the initial phase of the company's tank expansion program and related ancillary plant and equipment.			
During the year ended December 31, 2018, drawdown on the loan facility totaled $30,400,000. Drawdown on the loan was done in two (2) tranches. $13,500,000 during the construction phase 2016 - 2017 and a further $32,400,000 in 2018.			
The Company made the first principal payment of EC$ 1,912,500 in October 2018.			
The loan is secured by way of a charge over land.	$	43,987,500	13,500,000
Less: Current portion		(7,650,000)	-
	$	36,337,500	13,500,000

14. **Share Capital**:

		2018	2017
Authorized, issued and fully paid			
595,000 Ordinary shares of $.0.025 per share par value	$	14,800	14,800

(Expressed in Eastern Caribbean Dollars

15. **Contributed Surplus**:

		2018	2017
Inclusion of land contributed by Government of Antigua (See Note 11).	$	1	1
Arising as a result of forgiveness of debt and contributions from former shareholders in the period December 31, 1969		35,490,940	35,490,940
Arising on the purchase of the Company by the Government of Antigua and Barbuda from Natomas Company on September 01, 1976		13,966,243	13,966,243
Arising on acquisition by the Company of The West Indies Oil Company (Dominica) Limited from the Government of Antigua and Barbuda on January 30, 1980		1,000	1,000
Transfer of contributed surplus to write off the accumulated deficit to January 31, 1980		(20,831,243)	(20,831,243)
Arising as a result of forgiveness of debt and contributions from former shareholders in April 2015		100,262,466	100,262,466
	$	128,889,407	128,889,407

(Expressed in Eastern Caribbean Dollars

16. **Revaluation Surplus**:

		2018	2017
Valuation of land used in terminalling operations as of December 31, 1992	$	25,077,052	25,077,052
Valuation of land held for development as of December 31, 1992		80,604,808	80,604,808
Valuation of land used in terminalling operations as of December 31, 2005 (See Note 11).		5,414,949	5,414,949
Valuation of land used in terminalling operations as of December 31, 2014		6,098,000	6,098,000
Valuation of land used in terminalling operations as of December 31, 2015 (see Note 11)		23,174,000	23,174,000
Valuation of land used held for development and sales as of December 31, 2015 (see Note 11)		(18,244,155)	(18,244,155)
Release on land held for development as at December 31, 2015		(48,870,000)	(48,870,000)
Release on sales of land held for development		(4,358,235)	(4,358,235)
Valuation of land held used in operations as of December 31, 2018		812,261	-
	$	69,708,680	68,896,419

(Expressed in Eastern Caribbean Dollars)

17. **Other Operating Income**:

	Notes	2018	2017
Storage fees		$ 16,004,844	12,107,830
Transmission fees		2,246,805	1,993,076
Port charges		2,037,709	1,645,764
Laboratory fees		1,963,386	1,597,988
Bunkering Income		1,427,203	1,941,891
Gain on disposal of fixed assets		1,254,232	388,662
Warehouse rental	10	746,396	568,214
Berthing fees		630,700	709,098
Agency fees		556,793	627,008
Miscellaneous income		222,836	154,395
Convenience store income		139,200	139,200
Freight income		13,665	-
Friars Hill Development Project	19	(103,419)	(95,543)
		$ 27,140,350	21,777,583

(Expressed in Eastern Caribbean Dollars)

18. **Selling, General and Administrative Expenses**:

		2018	2017
Payroll and related costs	$	17,092,622	16,827,312
Product haulage		5,042,470	4,915,973
Repair and maintenance		3,056,336	2,917,735
Port charges		2,847,536	2,299,183
Insurance		2,516,102	2,265,902
Utilities		1,358071	1,263,515
Security		662,764	610,431
Fuel Usage		558,849	544,937
Direct purchases		531,385	305,304
Directors' fees		438,500	521,000
Rent		411,362	537,116
Legal and professional fees		353,874	457,275
Office expenses		281,237	150,205
Dues and subscriptions		233,399	223,100
Uniform		229,343	-
Other operating expenses		225,532	494,378
Travel and entertainment		224,809	338,581
Training		221,729	287,880
Inspection		189,886	234,102
Advertising and promotion		182,105	223,805
Donations		137,178	186,553
Bank charges		82,085	89,931
Freight and duty		46,985	73,833
License and taxes		12,000	6,100
Tank Refurbishment		-	291,475
	$	36,936,159	36,065,626

(Expressed in Eastern Caribbean Dollars)

19. **Friars Hill Development Project**:

		2018	2017
Revenue from Sale of Land and Houses	$	-	-
Expenses			
General and administrative expenses		103,419	95,543
		103,419	95,543
Net loss for the year from the project	$	(103,419)	(95,543)

20. **Taxation:**

Reconciliation of income tax calculated at applicable tax rate with income tax expense as follows:

		2018	2017
Tax payable			
Balance, beginning of year	$	1,528,235	1,218,576
Taxes paid		(6,500,000)	(6,500,000)
Corporation and withholding taxes		7,179,145	6,809,659
Balance, end of year	$	2,207,380	1,528,235
		-	
Net income for the year before taxation	$	32,910,923	29,740,815
Tax expense calculated at the effective rate		8,227,747	7,435,203
Tax effect of permanent differences		(3,135,407)	1,450,329
Tax effect on capital balancing allowance		2,056,788	(2,097,666)
Tax effect on losses utilized/(not utilized)		12,017	(69,457)
Corporation tax		7,161,145	6,718,409
Deferred tax expense		1,041,521	740,457
Withholding tax		18,000	91,250
Tax expense	$	8,220,666	7,550,116

(Expressed in Eastern Caribbean Dollars)

20. **Taxation**: *(cont'd)*

		2018	2017
Deferred Tax Asset (Liability)			
Net deferred tax asset, beginning of year	$	646,956	1,387,413
Movement in deferred tax asset/liability		(1,041,521)	(740,457)
Net deferred tax asset/(liability), end of year	$	(394,565)	646,956

The deferred tax asset balance arises from decelerated tax depreciation and is recognized using a rate of 25% being the effective tax rate.

The Group has incurred income tax losses of EC$277,828 which can be carried forward for a period of six (6) years and applied to reduce taxable income by an amount not exceeding one half of taxable income in any one year of assessment. The losses would expire as follows:

Date of Expiration	Losses
December 31, 2020	$277,828

21. **Commitments and Contingencies**:

The Group leases land from the Government of Antigua and Barbuda on which certain pipelines have been installed. As of December 31, 2018, this lease had fifty-three (53) years remaining. The Group has a waiver of the annual rental amount of EC$5,000.

(Expressed in Eastern Caribbean Dollars)

22. **Potential Customer Claim:**

The Group's sole customer for Fuel Oil, The Antigua Public Utilities Authority performed a review of the loading, delivery and metering procedures for the product over the months May – September 2015 at Parent Company and the customer's facilities. The customer's preliminary report dated November 18, 2015, was shared with WIOC's management. In the report addressed to APUA's management, APUA claims that there is potential liability to APUA of $6,277,476. APUA's management has not submitted a formal claim but have referred the report to the Parent Company for discussion and a response. It is the Group's position that the potential liability has not been adequately substantiated with the details of the calculation and supporting documentation not provided with the preliminary report. In addition, it is also the Group's position that the report does not provide a basis for making a provision for a potential liability for amounts due to the customer. The amount of liability assessed by the Group amounted to $2,506,203. This amount has been recorded as a liability as of December 31, 2015.

23. **Tax Assessments:**

During the financial year ended December 31, 2018, the Parent Company was assessed additional withholding tax amounting to $57,000 by the Inland Revenue Department (IRD) in respect of the year ended December 31, 2017. The Parent Company was previously assessed additional corporate and withholding tax amounting to $12,765,524 by the (IRD) in respect of the years ended December 31, 2005 to 2016. The Parent Company recorded an accrual of tax liability amounting to $7,236,788. The difference of $5,528,736 is due to Antigua and Barbuda Sales Tax (ABST) credits which have not been applied to the company's account by the IRD because these credits have not been audited by the ABST division of the IRD. The Parent Company expects this audit to be completed in 2018 and will adjust for any additional corporate and withholding tax liability if a revision is required as a result of the audit.

24. **Effects of changes in accounting policies**

The Group adopted IFRS 9 and IFRS 15 with a transition date of 1 January 2018. The Group has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, any related changes are not reflected in the restated prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2018) and recognised in the opening equity balances.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces two Standards, IAS 18 *Revenue* and IAS 11 *Construction Contracts*. It provides a single, principles based five-step model to be applied to all contracts with customers.
The five steps in the model are as follows:

1. Identify the contract with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

24. **Effects of changes in accounting policies** *(cont'd)*

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. In applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The application of this standard has no significant impact on the Group's financial statements.

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), and has had a significant effect on the Group in the following areas:

The Group applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (such as trade and other receivables).

This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Group considered the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets. Under the existing incurred loss model, the historical loss rate has typically been between 1% and 3% of the gross carrying amount of receivables over the last 5 years, and at December 31, 2018 and 2017 amounted to $1,728,180 and $1,598,860, respectively. Under the new model applied to all trade and other receivables, these amounts increased to $2,444,698 and $1,772,479 at December 31, 2018 and 2017, respectively, resulting in an increased charge in the statement of profit or loss and other comprehensive income for the year ended December 31, 2018 under IFRS 9 of $672,220 compared to IAS 39 (see note 6).