

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Financial Statements

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

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# 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, 2019, 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, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 23 - Subsequent Events, where management has described the impact of the recent outbreak of the Coronavirus (Covid-19) has had on the Group after the year ended December 31, 2019 indicating that an estimate of the financial effect on the Group cannot be made at this point.

### 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.



Chartered Accountants  
October 9, 2020

Antigua and Barbuda

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Statement of Financial Position

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes	2019	2018
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 24,889,156	64,274,875
Trade and other receivables	6	97,938,969	104,619,272
Inventories	7	9,408,897	16,049,426
Deferred charges		394,666	223,138
<b>Total Current Assets</b>		<b>132,631,688</b>	<b>185,166,711</b>
<b>Non-Current Assets</b>			
Property held for development and sale	9	9,148,000	9,148,000
Investment property	10	1,342,301	1,586,102
Property, plant and equipment	11	215,468,318	200,784,698
Deferred tax asset		50,256	50,256
<b>Total Non-Current Assets</b>		<b>226,008,875</b>	<b>211,569,056</b>
<b>Total Assets</b>		<b>358,640,563</b>	<b>396,735,767</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	75,193,263	120,125,298
Tax payable		6,327,335	2,207,380
Loan payable	13	8,062,157	8,148,927
<b>Total Current Liabilities</b>		<b>89,582,755</b>	<b>130,481,605</b>
<b>Non-Current Liabilities</b>			
Long term loan	13	28,687,500	36,337,500
Deferred tax liability	20	1,519,596	444,821
<b>Total Non-Current Liabilities</b>		<b>30,207,096</b>	<b>36,782,321</b>
<b>Total Liabilities</b>		<b>119,789,851</b>	<b>167,263,926</b>
<b>Shareholders' Equity</b>			
Share capital	14	14,800	14,800
Contributed surplus	15	128,889,407	128,889,407
Revaluation surplus	16	69,708,680	69,708,680
Accumulated surplus		40,237,825	30,858,954
<b>Total Shareholders' Equity</b>		<b>238,850,712</b>	<b>229,471,841</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 358,640,563</b>	<b>396,735,767</b>

Approved by the Board of Directors on

October 8, 2020

Director .....

Director .....

The notes on pages 7 to 39 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, 2019

*(Expressed in Eastern Caribbean Dollars)*

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Sales		\$ 327,539,247	341,336,726
Cost of sales		(268,403,356)	(288,403,512)
Gross profit		59,135,891	52,933,214
Other operating income	17	32,982,117	27,140,350
Net sales and other operating income		92,118,008	80,073,564
<b>Operating expenses</b>			
Selling, general and administrative	18	(38,108,322)	(36,936,159)
Depreciation on property, plant and equipment	11	(7,950,868)	(6,824,772)
Remeasurement loss on liability		(1,298,675)	-
Credit loss expense	6	(1,289,843)	(672,219)
Exchange loss		(1,091,968)	(848,036)
Fixed asset impairment		(596,012)	(810,000)
Depreciation on investment property	10	(243,801)	(273,716)
Claims and losses		(229,347)	-
		(50,808,836)	(46,364,902)
Net operating income		41,309,172	33,708,662
<b>Finance cost</b>			
Interest income		47,562	-
Interest expense		(1,763,456)	(797,739)
		(1,715,894)	(797,739)
Net income before taxation		39,593,278	32,910,923
<b>Taxation</b>			
Corporation tax		(9,093,985)	(7,161,145)
Withholding tax		(18,000)	(18,000)
Deferred tax		(1,074,775)	(1,041,521)
	20	(10,186,760)	(8,220,666)
Net income for the year		29,406,518	24,690,257
<b>Other comprehensive income</b>			
Revaluation of land		-	812,261
Special tax on net income		(3,025,970)	-
Total comprehensive income for the year		\$ 26,380,548	25,502,518

*The notes on pages 7 to 39 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, 2019

*(Expressed in Eastern Caribbean Dollars)*

	<u>Share Capital</u>	<u>Contributed Surplus</u>	<u>Revaluation Surplus</u>	<u>Accumulated Surplus</u>	<u>Total</u>
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)
<b>Balance at December 31, 2018</b>	<b>14,800</b>	<b>128,889,407</b>	<b>69,708,680</b>	<b>30,858,954</b>	<b>229,471,841</b>
Total comprehensive income for the year	-	-	-	26,380,548	26,380,548
Dividend declared	-	-	-	(17,001,677)	(17,001,677)
<b>Balance at December 31, 2019</b>	<b>\$ 14,800</b>	<b>128,889,407</b>	<b>69,708,680</b>	<b>40,237,825</b>	<b>238,850,712</b>

*The notes on pages 7 to 39 are an integral part of these financial statements.*

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2019

*(Expressed in Eastern Caribbean Dollars)*

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>			
Net income before taxation		\$ 39,593,278	32,910,923
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	11	7,950,868	6,824,772
Depreciation on investment property	10	243,801	273,716
Provision for impairment of fixed asset		596,012	810,000
Credit loss expense		1,289,843	672,219
Interest income		(47,562)	-
Gain on disposal of investment property		-	(1,254,232)
Interest expense		1,763,456	797,739
<b>Operating income before changes in working capital</b>			
		51,389,696	41,035,137
Change in trade and other receivables		5,390,460	(11,743,986)
Change in inventories		6,640,529	2,925,342
Change in trade and other payables		(49,803,355)	13,181,742
Change in deferred charges		(171,528)	(223,138)
		13,445,802	45,175,097
Taxes paid		(8,018,000)	(6,500,000)
<b>Net cash provided by operating activities</b>			
		5,427,802	38,675,097
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(23,230,500)	(40,991,445)
Proceeds from the sale of property, plant and equipment		-	1,449,878
Interest received		47,562	-
<b>Net cash used in investing activities</b>			
		(23,182,938)	(39,541,567)
<b>Cash flows from financing activities</b>			
Interest paid		(1,850,226)	(797,739)
Proceeds from long term loan		-	32,400,000
Dividends		(12,130,357)	(15,148,064)
Loan repayment		(7,650,000)	(1,912,500)
<b>Net cash (used in)/generated from financing activities</b>			
		(21,630,583)	14,541,697
<b>(Decrease)/increase in cash and cash equivalents during the year</b>			
		(39,385,719)	13,675,227
Cash and cash equivalents, beginning of year		64,274,875	50,599,648
Cash and cash equivalents, end of year		\$ 24,889,156	64,274,875
<b>Represented by:</b>			
Cash and cash equivalents		\$ 24,889,156	64,274,875

*The notes on pages 7 to 39 are an integral part of these financial statements.*



# THE WEST INDIES OIL COMPANY LIMITED

## Notes to Consolidated Financial Statements

December 31, 2019

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*(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 PDV Caribe SA, a subsidiary of Petroleos de Venezuela SA (PDVSA) 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 October 9, 2020.

#### (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.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

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 (i) - 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.

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).

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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*(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)*

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 entirety 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, amendments to existing standards and interpretation effective from January 1, 2019:*

The Group has adopted the following new standards, amendments to existing standards and interpretations effective from January 1, 2019. Except as otherwise indicated, the adoption of these new standards, amendments to existing standards and interpretations did not have any significant impact on The Group's separate financial statements.

- IFRS 16, Leases, effective January 1, 2019, replaces IAS 17, this new standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17, lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

## THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

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

#### (f) *New standards, amendments to existing standards and interpretation effective from January 1, 2019: (cont'd)*

- Amendments to IFRS 9: Prepayment Features with Negative Compensation. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, The Group assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion

- IFRIC 23 Clarification of uncertainty in tax accounting. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS 12. An entity is required to reassess its judgements and estimates if facts and circumstances change. The requirements are applied by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the entity first applies them without adjusting comparatives information.
- Improvements to IFRS 2015-2017 cycle, contain amendments to certain standards and interpretations. Below is the main amendment applicable to The Group:

IFRS 3, Business combinations and IFRS11 Joint Arrangements, the amendment clarify that when an entity obtains control of a business that is a joint operation, it premeasures previously held interests in that business. These changes also clarify that when an entity obtains control of a business that is a joint operation, the entity does not re-measure previously held interest in that business.

IAS 23, Borrowing Costs, this amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for it intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

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

(g) *New standards, amendments to standards and interpretation issued but not yet effective during the year:*

The new standards, amendments to existing to existing standards and interpretations that are issued, but not yet effective, up to the date of issuance of The Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 Insurance contracts. In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. This standard is not applicable to The Group.
- Amendments to IFRS 3: Definition of a Business. In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, The Group will not be affected by these amendments on the date of transition.
- Amendments to IAS 1 and IAS 8: Definition of Material. In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The amendments to the definition of material is not expected to have a significant impact on The Group's financial statements.

## THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

### 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 at 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.

## THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(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.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(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.



THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(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.

*Performance obligations and timing of revenue recognition*

The majority of The Group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, The Group no longer has physical possession, and usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

*Costs of obtaining long-term contracts and costs of fulfilling contracts*

The costs of fulfilling contracts do not result in the recognition of a separate asset because:

- such costs are included in the carrying amount of inventory for contracts involving the sale of goods; and
- for service contracts, revenue is recognised over time by reference to the stage of completion meaning that control of the asset is transferred to the customer on a continuous basis as work is carried out.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

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

(h) *Revenue Recognition:*

*Practical Exemptions*

The Group has taken advantage of the practical exemptions:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

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

The sales of lots of land held for development are recognised at the time that the risks and rewards of ownership pass to the purchaser as evidenced by a signed purchase contract.

Revenue is recognised using the 'percentage of completion' method on houses sold. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract.

Other income is recognised on the accrual basis and in accordance with contract terms with customers.

(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\$18,496,594 (2018: EC\$44,199,222).

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

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.

## THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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*(Expressed in Eastern Caribbean Dollars)*

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

#### *(p) Leases (Policy applicable before January 1, 2019)*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payment made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### *Leases (Policy applicable after January 1, 2019)*

The Group has implemented the IFRS 16 which replaces the dual accounting model leases. As such The Group has accounted for leases which substantial in nature and recorded the leases as right to use assts with the corresponding liability also recognised on the financial statement.

For other leases where future operations are doubtful or have a duration of less than twelve (12) months, The Group has elected to continue to expense these lease payments with asset recognition.

#### *(q) 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.

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

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.

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:

	2019	2018
Cash and cash equivalents	\$ 24,889,156	64,274,875
Trade and other receivables	97,938,969	104,619,272
	<u>\$ 122,828,125</u>	<u>168,894,147</u>

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

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

(a) Credit Risk: (*cont'd*)

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.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

*(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:

	2019			
	Carrying Amounts	Contractual Cash Flows	Up to 1 Year	More than 1 Year
<b>Assets</b>				
Cash and cash equivalents	\$ 24,889,156	24,889,156	24,889,156	-
Trade and other receivables	97,938,969	97,938,969	97,938,969	-
	<u>122,828,125</u>	<u>122,828,125</u>	<u>122,828,125</u>	<u>-</u>
<b>Liabilities</b>				
Trade and other payables	(75,193,263)	(75,193,263)	(75,193,263)	-
Long term loan	(36,749,657)	(36,749,657)	(8,062,157)	(28,687,500)
	<u>(111,942,920)</u>	<u>(111,942,920)</u>	<u>(83,255,420)</u>	<u>(28,687,500)</u>
<b>Liquidity cover</b>	<b>\$ 10,885,205</b>	<b>10,885,205</b>	<b>39,572,705</b>	<b>(28,687,500)</b>
<b>Cumulative liquidity cover</b>	<b>\$ 10,885,205</b>	<b>10,885,205</b>	<b>39,572,705</b>	<b>10,885,205</b>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2019

(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	Up to One Year	More than 1 Year
<b>Assets</b>				
Cash and cash equivalents	\$ 64,274,875	64,274,875	64,274,875	-
Trade and other receivables	104,619,272	104,619,272	104,619,272	-
	<u>168,894,147</u>	<u>168,894,147</u>	<u>168,894,147</u>	<u>-</u>
<b>Liabilities</b>				
Trade and other payables	(120,125,298)	(120,125,298)	(120,125,298)	-
Long term loan	(44,486,427)	(44,486,427)	(8,148,927)	(36,337,500)
	<u>(164,611,725)</u>	<u>(164,611,725)</u>	<u>(128,274,225)</u>	<u>(36,337,500)</u>
Liquidity cover	\$ <u>4,282,422</u>	<u>4,282,422</u>	<u>40,619,922</u>	<u>(36,337,500)</u>
Cumulative liquidity cover	\$ <u>4,282,422</u>	<u>4,282,422</u>	<u>40,619,922</u>	<u>4,282,422</u>



THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(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.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

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:

	2019	2018
Trade receivables	\$ 92,664,807	99,057,793
VAT recoverable, net	7,030,870	5,750,931
Prepayments	1,526,997	1,045,194
Other receivables	450,837	1,210,052
	101,673,511	107,063,970
Less: Provision for impairment - trade and other receivables	(3,734,542)	(2,444,698)
	\$ 97,938,969	104,619,272

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

As of December 31, 2019, trade receivables of \$81,235,633 (2018: \$75,459,507) 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:

	2019	2018
Overdue by 1 to 30 days	\$ 16,247,077	13,758,953
Overdue by 31 to 60 days	7,663,285	10,957,877
Overdue by more than 60 days	57,325,271	50,742,677
	\$ 81,235,633	75,459,507

As of December 31, 2019, trade receivables of \$3,734,542 (2018: \$2,444,698) were overdue by more than 90 days were considered impaired and provided for based on the Group's accounting policy (See Note 3).

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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*(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:

	<u>2019</u>	<u>2018</u>
At January 1	\$ 2,444,699	1,772,479
Expected credit losses	1,289,843	672,219
At December 31	<u>\$ 3,734,542</u>	<u>2,444,698</u>

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:

	<u>2019</u>	<u>2018</u>
Eastern Caribbean dollars	\$ 77,439,989	74,465,485
United States dollars	20,498,980	30,153,787
	<u>\$ 97,938,969</u>	<u>104,619,272</u>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

7. Inventories:

	2019	2018
Mogas	\$ 3,646,512	6,447,057
LPG	1,111,425	775,522
Diesel	1,385,933	4,588,751
Fuel oil	273,022	730,258
Other	63,120	557,427
Kerosene	14,368	22,234
Total petroleum products	6,494,380	13,121,249
Consumable stores and supplies	2,914,517	2,928,177
	\$ 9,408,897	16,049,426

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.

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

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:

	2019	2018
Salaries and wages	\$ 1,272,762	1,176,470
Other staff costs	630,107	476,061
Pension costs	129,239	125,628
	<u>\$ 2,032,108</u>	<u>1,778,159</u>

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

9. Property Held for Development and Sale:

	2019	2018
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).

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

10. Investment Property:

	<u>Warehouses</u>	<u>Service Stations</u>	<u>Total</u>
<b>Cost</b>			
At December 31, 2017	\$ 1,903,480	5,249,821	7,153,301
Additions	-	-	-
Disposals	<u>(1,468,230)</u>	-	<u>(1,468,230)</u>
At December 31, 2018	435,250	5,249,821	5,685,071
Additions	-	-	-
Disposals	-	-	-
At December 31, 2019	<u>\$ 435,250</u>	<u>5,249,821</u>	<u>5,685,071</u>
<b>Depreciation:</b>			
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	<u>1,272,584</u>	-	<u>1,272,584</u>
At December 31, 2018	(376,776)	(3,722,193)	(4,098,969)
Charge for the year	(21,762)	(222,039)	(243,801)
Written back on disposal	-	-	-
At December 31, 2019	<u>\$ (398,538)</u>	<u>(3,944,232)</u>	<u>(4,342,770)</u>
<b>Net Book Value:</b>			
At December 31, 2019	<u>\$ 36,712</u>	<u>1,305,589</u>	<u>1,342,301</u>
At December 31, 2018	<u>\$ 58,474</u>	<u>1,527,628</u>	<u>1,586,102</u>

The Directors of the Group have estimated the fair value of the above investment property as of December 31, 2019 to be EC\$12,315,000 (2018: EC\$12,315,000) based on comparable market transactions.

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Rental income	17	\$ 601,232	746,396
Depreciation on investment		<u>\$ (243,801)</u>	<u>(273,716)</u>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2019

(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	Construction In Progress	Total
<b>Cost:</b>									
At December 31, 2017	\$ 59,774,000	3,719,834	5,604,313	7,098,396	190,466,704	18,784,858	11,058,874	10,551,761	307,058,740
Additions	-	-	1,393,201	1,450,924	12,966,334	1,022,730	1,400,514	37,379,820	55,613,523
Impairment	-	-	-	-	-	-	-	(810,000)	(810,000)
Revaluation	147,785	-	664,476	-	-	-	-	-	812,261
Disposals/transfers	-	-	-	-	-	-	-	(14,618,570)	(14,618,570)
<b>At December 31, 2018</b>	<b>59,921,785</b>	<b>3,719,834</b>	<b>7,661,990</b>	<b>8,549,320</b>	<b>203,433,038</b>	<b>19,807,588</b>	<b>12,459,388</b>	<b>32,503,011</b>	<b>348,055,954</b>
Additions	-	-	122,555	827,307	35,227,888	2,813,087	505,483	21,593,633	61,089,953
Impairment	-	-	-	-	-	-	-	(596,012)	(596,012)
Revaluation	-	-	-	-	-	-	-	-	-
Disposals/transfers	-	-	-	(255,799)	-	-	-	(37,859,453)	(38,115,252)
<b>At December 31, 2019</b>	<b>\$ 59,921,785</b>	<b>3,719,834</b>	<b>7,784,545</b>	<b>9,120,828</b>	<b>238,660,926</b>	<b>22,620,675</b>	<b>12,964,871</b>	<b>15,641,179</b>	<b>370,434,643</b>
<b>Depreciation:</b>									
At December 31, 2017	\$ -	(1,800,642)	(4,947,182)	(5,367,744)	(106,647,902)	(12,647,041)	(9,035,973)	-	(140,446,484)
Charge for the year	-	(148,793)	(101,554)	(538,814)	(4,355,362)	(886,470)	(793,779)	-	(6,824,772)
Written back on disposals	-	-	-	-	-	-	-	-	-
<b>At December 31, 2018</b>	<b>-</b>	<b>(1,949,435)</b>	<b>(5,048,736)</b>	<b>(5,906,558)</b>	<b>(111,003,264)</b>	<b>(13,533,511)</b>	<b>(9,829,752)</b>	<b>-</b>	<b>(147,271,256)</b>
Charge for the year	-	(148,793)	(130,550)	(717,705)	(5,124,527)	(1,010,542)	(818,751)	-	(7,950,868)
Written back on disposals	-	-	-	255,799	-	-	-	-	255,799
<b>At December 31, 2019</b>	<b>\$ -</b>	<b>(2,098,228)</b>	<b>(5,179,286)</b>	<b>(6,368,464)</b>	<b>(116,127,791)</b>	<b>(14,544,053)</b>	<b>(10,648,503)</b>	<b>-</b>	<b>(154,966,325)</b>
<b>Net Book Value:</b>									
At December 31, 2019	\$ 59,921,785	1,621,606	2,605,259	2,752,364	122,533,135	8,076,622	2,316,368	15,641,179	215,468,318
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



THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

*(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:

	2019	2018
Trade payables	\$ 52,564,577	104,485,290
Accrued liabilities	8,317,809	6,565,615
APUA Claim Payable (Note 21)	-	17,878
Security deposits	2,376,405	1,993,363
Dividend Payable	11,934,472	7,063,152
	<u>\$ 75,193,263</u>	<u>120,125,298</u>

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:

	2019	2018
Eastern Caribbean dollars	\$ 37,667,581	38,799,379
United States dollars	37,515,682	81,325,919
	<u>\$ 75,183,263</u>	<u>120,125,298</u>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

13. Long-term Debt:

	2019	2018
The Parent 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.		
In 2018, drawdown on the loan facility totaled \$30,400,000. The Parent Company made the first principal payment of \$ 1,912,500 in October 2018.		
During the year 2019, the Parent Company made a total payment of \$7,650,000. Interest expense recognised for the year amounted to \$ 1,763,456.		
The loan is secured by way of a charge over land.	\$ 36,337,500	43,987,500
Less: Non-current portion	(28,687,500)	(36,337,500)
Current portion	7,650,000	7,650,000
Accrued interest	412,157	498,927
<b>Total current portion</b>	<b>\$ 8,062,157</b>	<b>8,148,927</b>

14. Share Capital:

	2019	2018
Authorized, issued and fully paid		
595,000 Ordinary shares of \$.0.025 per share par value	\$ 14,800	14,800

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

*(Expressed in Eastern Caribbean Dollars)*

15. Contributed Surplus:

	2019	2018
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
	<u>\$ 128,889,407</u>	<u>128,889,407</u>

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

*(Expressed in Eastern Caribbean Dollars)*

16. Revaluation Surplus:

	2019	2018
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	812,261
	<u>\$ 69,708,680</u>	<u>69,708,680</u>

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

*(Expressed in Eastern Caribbean Dollars)*

17. Other Operating Income:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Storage fees		\$ 16,445,138	16,004,844
Miscellaneous income		6,152,186	222,836
Transmission fees		2,839,133	2,246,805
Laboratory fees		2,545,120	1,963,386
Port charges		1,810,944	2,037,709
Freight income		1,185,490	13,665
Warehouse rental	10	601,232	746,396
Berthing fees		598,532	630,700
Agency fees		522,720	556,793
Bunkering Income		163,358	1,427,203
Convenience store income		139,200	139,200
Gain on disposal of investment property		-	1,254,232
Friars Hill Development Project	19	(20,936)	(103,419)
		<u>\$ 32,982,117</u>	<u>27,140,350</u>

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

18. Selling, General and Administrative Expenses:

	2019	2018
Payroll and related costs	\$ 16,124,806	17,092,622
Product haulage	5,721,643	5,042,470
Port charges	3,073,621	2,847,536
Insurance	2,933,349	2,516,102
Repair and maintenance	2,907,968	3,056,336
Utilities	1,776,082	1,358,071
Security	675,190	662,764
Legal and professional fees	548,180	353,874
Rent	482,465	411,362
Directors' fees	424,000	438,500
Fuel Usage	380,681	558,849
Direct purchases	329,105	531,385
Uniform	314,318	229,343
Inspection	299,693	189,886
Dues and subscriptions	292,532	233,399
Travel and entertainment	284,249	224,809
Training	227,048	221,729
Storage fees	221,225	-
Office expenses	166,846	281,237
Advertising and promotion	162,646	182,105
Donations	155,626	137,178
Bank charges	87,385	82,085
License and taxes	17,098	12,000
Freight and duty	14,155	46,985
Other operating expenses	488,411	225,532
	<u>\$ 38,108,322</u>	<u>36,936,159</u>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

19. Friars Hill Development Project:

	2019	2018
Revenue from Sale of Land and Houses	\$ -	-
Expenses		
General and administrative expenses	20,936	103,419
	20,936	103,419
Net loss for the year from the project	\$ (20,936)	(103,419)

20. Taxation:

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

	2019	2018
Tax payable		
Balance, beginning of year	\$ 2,207,380	1,528,235
Taxes paid	(8,018,000)	(6,500,000)
Corporation and withholding taxes	12,137,955	7,179,145
Balance, end of year	\$ 6,327,335	2,207,380
Net income for the year before taxation	\$ 39,593,278	32,910,923
Tax expense calculated at the effective rate	9,879,153	8,227,747
Tax effect of permanent differences	2,223,758	(3,135,407)
Tax effect on capital balancing allowance	(3,019,806)	2,056,788
Tax effect on losses utilized	10,880	12,017
Corporation tax	9,093,985	7,161,145
Deferred tax expense	1,074,775	1,041,521
Withholding tax	18,000	18,000
Tax expense	\$ 10,186,760	8,220,666

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

20. Taxation: (*cont'd*)

	2019	2018
<b>Deferred Tax Liability</b>		
Net deferred tax (liability)/asset, beginning of year	\$ (444,821)	596,700
Movement in deferred tax asset/liability	(1,074,775)	(1,041,521)
Net deferred tax liability, end of year	\$ (1,519,596)	(444,821)

The deferred tax liability balance arises from decelerated tax and depreciation and is recognised using the statutory tax rate of twenty-five (25%) percent.

*Special tax on net income*

In accordance with the Antigua and Barbuda Income Tax Amendment (ACT) of 2019, an additional tax of ten (10%) percent is charged on the net income of the Parent Company. This tax on net income is effective from January 1, 2019 to December 31, 2020

21. Commitments and Contingencies:

(i) Land lease

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.

(ii) Pending Litigation

The Parent Company is currently involved in an employee-related legal matter related to a claim for compensation for unfair dismissal. The Industrial Court has not yet issued a judgement in this matter. The amount of the liability, if any, in respect of the abovementioned legal matters will be contingent on the outcome of court proceedings and will be recognised in the financial statements at the time of determination.



THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2019

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(Expressed in Eastern Caribbean Dollars)

21. Commitments and Contingencies:

(iii) 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.

(iv) 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.

22. Reclassifications:

Certain items of the comparative figures have been reclassified to conform to the current year's financial statements presentation. The reclassifications had no significant impact on the financial statements of the Group.

23. Subsequent events:

The Group has begun to assess the potential effects that the Coronavirus (Covid-19) will have on its financial performance and operations in the current year.

Management and those charged with governance (The Board of Directors) have made a preliminary assessment of the financial impact but are uncertain at this stage how the financial results of the Group for the 2020 financial year will be impacted by Covid-19 due to slowing economic growth.

It is not possible to quantify the financial impact on the Group at this time.