

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Financial Statements

December 31, 2021

(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, 2021, 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, 2021, 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.

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.

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 (cont'd)

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
July 15, 2022

Antigua and Barbuda

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Statement of Financial Position

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Notes	2021	2020
Assets			
Current Assets			
Cash and cash equivalents		\$ 64,548,040	32,896,722
Trade and other receivables	6	95,125,117	88,700,527
Tax receivable	19	1,147,340	-
Inventories	7	13,499,938	17,843,174
Current portion of loan receivable		105,573	145,600
Deferred charges		421,950	370,098
Total Current Assets		174,847,958	139,956,121
Non-Current Assets			
Property held for development and sale	9	9,148,000	9,148,000
Investment property	10	10,515,000	10,515,000
Property, plant and equipment	11	224,745,298	213,537,513
Loan receivable		-	59,928
Deferred tax asset		50,256	50,256
Total Non-Current Assets		244,458,554	233,310,697
Total Assets		419,306,512	373,266,818
Liabilities			
Current Liabilities			
Trade and other payables	12	109,296,824	89,195,121
Tax payable	19	-	2,990,653
Current portion of long-term loan	13	28,522,701	7,975,387
Total Current Liabilities		137,819,525	100,161,161
Non-Current Liabilities			
Long term loan	13	23,512,500	21,037,500
Deferred tax liability	19	4,251,459	2,688,768
Total Non-Current Liabilities		27,763,959	23,726,268
Total Liabilities		165,583,484	123,887,429
Shareholders' Equity			
Share capital	14	14,519	14,800
Contributed surplus	15	128,889,407	128,889,407
Revaluation surplus	16	69,708,680	69,708,680
Accumulated surplus		61,927,641	50,766,502
Treasury shares		(6,817,219)	-
Total Shareholders' Equity		253,723,028	249,379,389
Total Liabilities and Shareholders' Equity		\$ 419,306,512	373,266,818

Approved by the Board of Directors on July 15, 2022

Director 

Director 

The notes on pages 7 to 40 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, 2021

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Sales		\$ 332,196,377	229,132,503
Cost of sales		(289,082,415)	(188,695,104)
Gross profit		43,113,962	40,437,399
Other operating income	17	29,615,789	23,901,798
Net sales and other operating income		72,729,751	64,339,197
Operating expenses			
Remeasurement gain on liability		217,043	2,637,119
Bad debt recovery		28,100	19,494
Selling, general and administrative expenses	18	(38,313,474)	(36,579,647)
Depreciation on property, plant and equipment	11	(7,772,685)	(7,400,679)
Expected credit loss	6	(694,861)	(122,151)
Provision for contingencies and claims		(94,668)	-
		(46,630,545)	(41,445,864)
Net operating income		26,099,206	22,893,333
Finance cost			
Interest income		61,968	44,165
Interest expense		(1,902,108)	(1,423,450)
		(1,840,140)	(1,379,285)
Net income before taxation		24,259,066	21,514,048
Taxation			
Corporation tax	19	(4,244,007)	(4,009,336)
Withholding tax	19	(18,000)	(18,000)
Deferred tax	19	(1,562,691)	(1,169,172)
		(5,824,698)	(5,196,508)
Net income for the year		18,434,368	16,317,540
Special tax on net income		-	(1,771,288)
Total comprehensive income for the year		\$ 18,434,368	14,546,252

The notes on pages 7 to 40 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, 2021

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>Share Capital</u>	<u>Contributed Surplus</u>	<u>Revaluation Surplus</u>	<u>Accumulated Surplus</u>	<u>Treasury Shares</u>	<u>Total</u>
Balance at December 31, 2019, as restated		\$ 14,800	128,889,407	69,708,680	49,410,524	-	248,023,411
Total comprehensive income for the year		-	-	-	14,546,252	-	14,546,252
Dividends declared	20	-	-	-	(13,190,274)	-	(13,190,274)
Balance at December 31, 2020		14,800	128,889,407	69,708,680	50,766,502	-	249,379,389
Total comprehensive income for the year		-	-	-	18,434,368	-	18,434,368
Acquisition of treasury shares		(281)	-	-	-	(6,817,219)	(6,817,500)
Dividends declared	20	-	-	-	(7,273,229)	-	(7,273,229)
Balance at December 31, 2021		\$ 14,519	128,889,407	69,708,680	61,927,641	(6,817,219)	253,723,028

The notes on pages 7 to 40 are an integral part of these financial statements.

THE WEST INDIES OIL COMPANY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2021

(Expressed in Eastern Caribbean Dollars)

	Notes	2021	2020
Cash flows from operating activities			
Net income before taxation		\$ 24,259,066	21,514,048
Adjustments for:			
Depreciation on property, plant and equipment	11	7,772,685	7,400,679
Provision for contingencies and claims		94,668	-
Bad debt recovery		(28,100)	(19,494)
Remeasurement gain on liability		(217,043)	(2,637,119)
Expected credit loss		694,861	122,151
Loss on disposal of investment property		-	43,448
Loss on disposal of assets		152,400	-
Interest expense		1,902,108	1,423,450
Operating income before changes in working capital		34,630,645	27,847,163
Change in trade and other receivables		(7,091,351)	9,135,785
Change in inventories		4,183,436	(8,434,277)
Change in trade and other payables		32,396,791	3,448,703
Change in deferred charges		(51,852)	24,568
Change in loan receivable		99,955	(205,528)
		64,167,624	31,816,414
Taxes paid		(8,400,000)	(9,135,306)
Net cash provided by operating activities		55,767,624	22,681,108
Cash flows from investing activities			
Purchase of property, plant and equipment		(18,991,528)	(5,568,922)
Proceeds from disposal of property, plant and equipment		18,458	55,600
Net cash used in investing activities		(18,973,070)	(5,513,322)
Cash flows from financing activities			
Interest paid		(1,604,794)	(1,510,220)
Dividends		(19,445,942)	-
Repayment of long-term loan		(9,675,000)	(7,650,000)
Treasury shares		(6,817,500)	-
Proceeds from long-term loan		32,400,000	-
Net cash used in financing activities		(5,143,236)	(9,160,220)
Increase/(decrease) in cash and cash equivalents during the year		31,651,318	8,007,566
Cash and cash equivalents, beginning of year		32,896,722	24,889,156
Cash and cash equivalents, end of year		\$ 64,548,040	32,896,722
Represented by:			
Cash and cash equivalents		\$ 64,548,040	32,896,722

The notes on pages 7 to 40 are an integral part of these financial statements.

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

1. Reporting Entity:

The West Indies Oil Company Limited (the “Company”) was incorporated on March 24, 1961, under the Laws of Antigua and Barbuda with registered offices at Friars Hill Road, St. John’s, Antigua. The principal activity of the Company is the storage and distribution of petroleum products and related ancillary activities including laboratory attestation services and marine vessel agency. It also engages in real estate development. The West Indies Oil Company (Dominica) Limited is a wholly owned subsidiary of the Antigua parent which also engages in petroleum storage and distribution in the Commonwealth of Dominica. The shareholding of the substantial shareholders are as follows:

Government of Antigua and Barbuda	- 45.90%
Fancy Bridge Limited	- 23.67%
PDV Caribe, S.A.	- 25.00%

The Company launched an initial purchase offer (IPO) from March 24, 2021, to May 21, 2021, wherein the Government of Antigua offered 301,920 of its shares held in the Company to the public. Following the IPO, the Company became a reporting issuer to the Eastern Caribbean Securities Regulatory Commission (ECSRC) with an additional six hundred and seventy-one (671) shareholder accounts amounting to 5.43% of the outstanding shares.

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 July 15, 2022.

(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.

Intercompany transactions balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an important indicator of the assets transferred.

(c) Basis of Measurement:

These consolidated financial statements have been prepared on the historical cost basis, modified by the revaluation of land and buildings.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(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.

(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:*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2021 is included in the following notes:

- Note 19 - recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 3(f) - estimated useful life of property, plant and equipment;
- Note 21 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources: and
- Note 4 - determination of fair values.

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.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(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*)

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) *Adoption of New or Revised Standards, Amendments to Existing Standards and Interpretations:*

The Group has adopted the following new standards, amendments to existing standards and interpretations effective from January 1, 2021. 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 consolidated financial statements.

- *Definition of a Business (Amendments to IFRS 3)*

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after January 1, 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business. This amendment had no material effect on the Group.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(g) *New Standards, Amendments to existing standards and interpretations issued but not yet effective during the year:*

The new standards, amendments to existing standards and interpretations that are issued, but not yet effective, up to 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.

- *COVID-19-Related Rent Concessions (Amendments to IFRS 16) Effective 1 June 2020*
IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:
 - (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - (b) The reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

- *Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021. The amendments provide relief in respect of certain loans whose contractual terms are affected by interest benchmark reform.

- The following amendments are effective for the period beginning January 1, 2022:
 - Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
 - Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
 - References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

- (g) *New Standards, Amendments to existing standards and interpretations issued but not yet effective during the year: (cont'd)*

The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after January 1, 2023.

The Group is currently assessing the impact of these new accounting standards and amendments.

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

- (a) *Financial Instruments:*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loan receivable 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 consolidated 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.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(b) *Financial Assets: (cont'd)*

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 consolidated 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.

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 consolidated statement of comprehensive income (operating profit).

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

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

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(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.

(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.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

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

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.

(g) Impairment:

The carrying amount of the Group's assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and other comprehensive income.

(h) Investment Property:

(Accounting policy adopted before January 1, 2020)

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 from cost less accumulated depreciation and impairment losses, if any to fair value model.

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.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(h) *Investment Property: (cont'd)*

Subsequently, the investment property of the Group is remeasured at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which it arises.

Fair value should reflect the actual market state and circumstances as of the balance sheet date. The best evidence of fair value is normally given by current prices on an active market for similar property in the same location and condition and subject to similar lease and other contracts. In the absence of such information, the entity may consider current prices for properties of a different nature or subject to different conditions, recent prices on less active markets with adjustments to reflect changes in economic conditions, and discounted cash flow projections based on reliable estimates of future cash flows.

Where a property has previously been measured at fair value, it should continue to be measured at fair value until disposal, even if comparable market transactions become less frequent or market prices become less readily available.

Investment Property (Accounting Policy adopted since January 1, 2020)

Investment property is remeasured at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains or losses arising from changes in the fair value of investment property must be included in profit or loss for the period in which it arises.

(i) *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, 2021

(Expressed in Eastern Caribbean Dollars)

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

(i) Revenue Recognition: (*cont'd*)

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.

(j) *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.

(k) *Cash and Cash Equivalents:*

Cash and cash equivalents comprise cash balances.

Included in cash and cash equivalents is a current account of EC\$58,040,057 (2020: EC\$26,455,617).

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(l) *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 consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the consolidated 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 consolidated 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.

(m) *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.

(n) *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.

(o) *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.

(p) *Trade Payables:*

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

(q) *Leases*

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 assets with the corresponding liability also recognised on the consolidated financial statement.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(q) *Leases; (cont'd)*

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.

(r) *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.

(iii) *Investment Property*

Fair value should reflect the actual market state and circumstances as of the balance sheet date. The best evidence of fair value is normally given by current prices on an active market for similar property in the same location and condition and subject to similar lease and other contracts. In the absence of such information, the Group considers current prices for properties of a different nature or subject to different conditions, recent prices on less active markets with adjustments to reflect changes in economic conditions, and discounted cash flow projections based on reliable estimates of future cash flows.

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, 2021

(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:

	2021	2020
Cash and cash equivalents	\$ 64,548,040	32,896,722
Trade and other receivables	81,116,471	80,365,211
	\$ 145,664,511	113,261,933

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(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 on hand and at Bank are held with financial institutions which represent minimum risk of default.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of thirty-six (36) months before January 1, 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	2021					
	Current	Up to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
Estimated Credit Loss %	0.71%	6.29%	2.20%	9.74%	3.58%	1.74%
Estimated total gross carrying amount	\$ 57,057,892	3,974,936	4,809,979	1,563,044	13,995,010	81,400,861
Estimated credit loss	\$ 403,878	250,151	105,749	152,238	500,331	1,412,347

	2020					
	Current	Up to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
Estimated Credit Loss %	1.56%	6.35%	4.11%	20.89%	6.76%	3.62%
Estimated total gross carrying amount	\$ 50,403,108	8,425,461	5,584,086	1,469,512	16,893,194	82,775,361
Estimated credit loss	\$ 784,989	534,679	229,592	306,954	1,141,563	2,997,777

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(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, 2021

(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:

	2021			
	Carrying Amounts	Contractual Cash Flows	Up to 1 Year	More than 1 Year
Assets				
Cash and cash equivalents	\$ 64,548,040	64,548,040	64,548,040	-
Trade and other receivables	81,116,471	81,116,471	81,116,471	-
Loan receivables	105,573	105,573	105,573	-
	<u>145,770,084</u>	<u>145,770,084</u>	<u>145,770,084</u>	<u>-</u>
Liabilities				
Trade and other payables	(108,180,458)	(108,180,458)	(108,180,458)	-
Long term loan	(52,035,201)	(52,035,201)	(28,522,701)	(23,512,500)
	<u>(160,215,659)</u>	<u>(160,215,659)</u>	<u>(136,703,159)</u>	<u>(23,512,500)</u>
Liquidity cover	<u>\$ (14,445,575)</u>	<u>(14,445,575)</u>	<u>9,066,925</u>	<u>(23,512,500)</u>
Cumulative liquidity cover	<u>\$ (14,445,575)</u>	<u>(14,445,575)</u>	<u>9,066,925</u>	<u>(14,445,575)</u>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(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:

	2020			
	Carrying Amounts	Contractual Cash Flows	Up to One Year	More than 1 Year
Assets				
Cash and cash equivalents	\$ 32,896,722	32,896,722	32,896,722	-
Trade and other receivables	80,365,211	80,365,211	80,365,211	-
Loan receivables	205,528	205,528	145,600	59,928
	<u>113,467,461</u>	<u>113,467,461</u>	<u>113,407,533</u>	<u>59,928</u>
Liabilities				
Trade and other payables	(85,611,434)	(85,611,434)	(85,611,434)	-
Long term loan	(29,012,887)	(29,012,887)	(7,975,387)	(21,037,500)
	<u>(114,624,321)</u>	<u>(114,624,321)</u>	<u>(93,586,821)</u>	<u>(21,037,500)</u>
Liquidity cover	\$ <u>(1,156,860)</u>	<u>(1,156,860)</u>	<u>19,820,712</u>	<u>(20,977,572)</u>
Cumulative liquidity cover	\$ <u>(1,156,860)</u>	<u>(1,156,860)</u>	<u>19,820,712</u>	<u>(1,156,860)</u>

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(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's exposure to interest rate risk is disclosed in Note 13.

(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, 2021

(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:

	2021	2020
Trade receivables	\$ 81,400,861	82,775,361
VAT recoverable, net	9,030,307	7,186,882
Prepayments	4,978,339	1,148,434
Other receivables	1,127,957	587,627
	96,537,464	91,698,304
Less: Provision for impairment - trade and other receivables	(1,412,347)	(2,997,777)
	\$ 95,125,117	88,700,527

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

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

	2021	2020
At January 1	\$ 2,997,777	3,734,542
Expected credit losses	694,861	122,151
Write-offs	(2,280,291)	(858,916)
At December 31	\$ 1,412,347	2,997,777

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 WEST INDIES OIL COMPANY LIMITEDNotes to Consolidated Financial Statements (*cont'd*)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)**6. Trade and other Receivables: (*cont'd*)**

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

	2021	2020
Eastern Caribbean dollars	\$ 70,450,032	71,077,972
United States dollars	24,675,085	17,622,555
	\$ 95,125,117	88,700,527

Included in the Group's current assets and current liabilities are amounts due to a certain entity. While the Group has established a legally enforceable right to offset the amounts due and payable, it has chosen not to do so for presentation purposes. Since the amount owed is greater than the amount receivable, the balance has not been included in the IFRS 9 assessment. As a result, the receivable amount has been excluded from the Group's calculation of provision for bad debt.

7. Inventories:

	2021	2020
Fuel oil	\$ 1,595,101	7,291,601
Mogas	4,397,269	3,527,190
Diesel	2,801,815	2,244,807
LPG	803,629	668,968
Other	58,106	89,840
Kerosene	12,387	2,065
Total petroleum products	9,668,307	13,824,471
Consumable stores and supplies	3,831,631	4,018,703
	\$ 13,499,938	17,843,174

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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 consolidated 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.
 - 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.

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

(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:

	2021	2020
Salaries and wages	\$ 1,375,528	1,175,076
Other staff costs	334,191	260,891
Pension costs	133,811	113,381
	<u>\$ 1,843,530</u>	<u>1,549,348</u>

9. Property Held for Development and Sale:

	2021	2020
Balance at beginning of year	\$ 9,148,000	9,148,000
Balance at end of year	<u>\$ 9,148,000</u>	<u>9,148,000</u>

Land included in property held for development and sale was contributed to the Group by the Government of Antigua and Barbuda at various stages following its incorporation in 1961.

See **Note 16 - Revaluation surplus** for a timeline of the changes in the valuation of the Property Held for Development and Sale.

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

10. Investment Property:

	<u>Warehouses</u>	<u>Service Stations</u>	<u>Total</u>
Fair values:			
At December 31, 2019, as restated	\$ 1,264,000	9,251,000	10,515,000
Fair value gain/(loss)	-	-	-
At December 31, 2020	1,264,000	9,251,000	10,515,000
Fair value gain/(loss)	-	-	-
At December 31, 2021	\$ 1,264,000	9,251,000	10,515,000

The Group's investment property was revalued between March 2016 and September 2017 by independent appraisers. Valuations were performed based on sales comparison to value approach. The highest and best use of a property may also be considered in determining its fair value.

The fair value hierarchy as defined in note 2 (e) (ii) has been applied to the valuations of the Group's investment property and all fair values of these properties are designated as level 2. Reasonable changes in fair values would impact the consolidated statement of income.

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

	<u>2021</u>	<u>2020</u>
Rental income	\$ 609,344	537,960

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(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
Cost:									
At December 31, 2019	\$ 59,921,785	3,719,834	7,784,545	9,120,828	238,660,926	22,620,675	12,986,651	15,641,179	370,456,423
Additions	-	-	137,975	18,756	1,298,779	1,222,373	164,311	5,441,350	8,283,544
Impairment	-	-	-	-	-	-	-	-	-
Transfers	-	-	(9,021)	-	(618,099)	(162,978)	(248,739)	(1,675,785)	(2,714,622)
Disposals	-	-	-	(189,783)	-	(10,749)	(1,600)	-	(202,132)
At December 31, 2020	59,921,785	3,719,834	7,913,499	8,949,801	239,341,606	23,669,321	12,900,623	19,406,744	375,823,213
Additions	-	-	22,445	324,245	8,128,406	1,871,790	363,497	16,695,208	27,405,591
Transfers	-	-	-	-	(125,844)	-	-	(8,288,219)	(8,414,063)
Disposals	-	-	-	-	-	(1,148,056)	-	-	(1,148,056)
At December 31, 2021	\$ 59,921,785	3,719,834	7,935,944	9,274,046	247,344,168	24,393,055	13,264,120	27,813,733	393,666,685
Depreciation:									
At December 31, 2019	\$ -	(2,098,228)	(5,179,286)	(6,368,464)	(116,127,791)	(14,544,053)	(10,670,283)	-	(154,988,105)
Charge for the year	-	(148,793)	(132,981)	(584,920)	(4,858,687)	(969,251)	(706,047)	-	(7,400,679)
Written back on disposals	-	-	-	100,151	-	1,433	1,500	-	103,084
At December 31, 2020	-	(2,247,021)	(5,312,267)	(6,853,233)	(120,986,478)	(15,511,871)	(11,374,830)	-	(162,285,700)
Charge for the year	-	(148,793)	(139,846)	(587,939)	(5,166,369)	(1,085,182)	(644,556)	-	(7,772,685)
Written back on disposals	-	-	-	-	-	1,136,998	-	-	1,136,998
At December 31, 2021	\$ -	(2,395,814)	(5,452,113)	(7,441,172)	(126,152,847)	(15,460,055)	(12,019,386)	-	(168,921,387)
Net Book Value:									
At December 31, 2021	\$ 59,921,785	1,324,020	2,483,831	1,832,874	121,191,321	8,933,000	1,244,734	27,813,733	224,745,298
At December 31, 2020	\$ 59,921,785	1,472,813	2,601,232	2,096,568	118,355,128	8,157,450	1,525,793	19,406,744	213,537,513

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

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

Property, plant and equipment includes seventy (70) acres of land contributed to the Group by the Government of Antigua and Barbuda. The land was valued at its market value between 2015 and 2018 by independent appraisers.

The valuation which conforms to International Valuation Standards was determined by reference to the sales comparison approach. The highest and best use of a property may also be considered in determining its fair value.

The fair value hierarchy as defined in note 2 (e) (ii) has been applied to the valuations of the Group's freehold land and the fair values are designated as Level 2. Reasonable changes in fair values would impact the consolidated statement of income.

See **Note 16 - Revaluation surplus** for a timeline of the changes in the valuation of the land included in Property, Plant and Equipment.

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

	<u>2021</u>	<u>2020</u>
Trade payables	\$ 89,329,276	52,867,329
Accrued liabilities	5,449,887	8,278,701
Security deposits	1,565,628	2,924,345
Dividend payable	12,952,033	25,124,746
	<u>\$ 109,296,824</u>	<u>89,195,121</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:

	<u>2021</u>	<u>2020</u>
Eastern Caribbean dollars	\$ 27,520,196	47,265,575
United States dollars	81,776,628	41,929,546
	<u>\$ 109,296,824</u>	<u>89,195,121</u>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

13. Long-term Debt:

The Group 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%) percent per annum repayable over seven (7) years. The purpose of the loan is to finance the initial phase of the Group's tank expansion program and related ancillary plant and equipment.

In 2021, the Group made a total principal payment of \$7,650,000 (2020: \$7,650,000). Interest expense recognized for the year amounted to \$1,074,956 (2020: \$1,423,450).

In 2021, the Group entered into a second loan agreement which resulted in access to loan funds totaling \$32,400,000. Fifty (50%) percent of the total loans amounting to \$16,200,000 is payable on demand and the other fifty (50%) percent is payable at a rate of five (5%) percent per annum repayable over four (4) years. The purpose of the demand loan is to provide working capital support and the term loan is to finance critical capital projects.

During the year 2021, the Group made total principal payments of \$2,025,000. Interest expense recognized for the year amounted to \$800,097

The loan is secured by way of a charge over land.

Less: Non-current portion

Current portion

Accrued interest

Total current portion

	2021	2020
	21,037,500	28,687,500
	30,375,000	-
	(23,512,500)	(21,037,500)
	27,900,000	7,650,000
	622,701	325,587
	\$ 28,522,701	7,975,387

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

14. Share Capital:

	2021	2020
Authorised, issued and fully paid:		
5,920,000 Ordinary shares of \$0.0025 per share par value (2020: 5,920,000 ordinary shares of \$0.0025 per share par value). The stated amount is comprised of a single class of ordinary voting shares.	\$ 14,800	14,800
Treasury shares acquired:		
112,500 ordinary shares of \$0.0025 per share par value	(281)	-
	\$ 14,519	14,800

The Company launched an Initial Purchase Offer (IPO), the first in its history during 2021. The offer closed on May 21, 2021. The offeror was the Government of Antigua and Barbuda which had a controlling interest of fifty-one (51%) percent of the issued shares prior to the IPO. The Company did not increase the authorised and issued share capital.

The Government of Antigua and Barbuda offered 301,920 of its shares to the public. Applications exceeded the Government offer by 19,775 shares. The shareholder Fancy Bridge cleared the surplus applications. Following the IPO, the Company's authorised, issued, and outstanding share capital are as follows:

	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>
On January 1, 2020	592,000	592,000	592,000
Stock split on December 1, 2020	5,328,000	5,328,000	5,328,000
December 31, 2020	5,920,000	5,920,000	5,920,000
Acquisition of treasury shares	-	-	(112,500)
On December 31, 2021	5,920,000	5,920,000	5,807,500

By way of a Board Resolution dated November 24, 2020, and pursuant to the provisions of the Companies Act, No. 18 of 1995 of the laws Antigua and Barbuda, the number of ordinary shares that the Group is authorized to issue was increased from 592,000 to 5,920,000 shares by declaring a ten (10) to one (1) share split.

THE WEST INDIES OIL COMPANY LIMITED

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

15. Contributed Surplus:

	2021	2020
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 ended December 31, 1969.	35,490,940	35,490,940
Arising on the purchase of the Group by the Government of Antigua and Barbuda from Natomas Company on September 1, 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 (Note 8).	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

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Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

16. Revaluation Surplus:

	2021	2020
Valuation of land used in terminal 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 terminal operations as of December 31, 2005 (See Note 11).	5,414,949	5,414,949
Valuation of land used in terminal operations as of December 31, 2013 (see Note 11).	6,098,000	6,098,000
Valuation of land used in terminal operations as of December 31, 2015 (see Note 11).	23,174,000	23,174,000
Valuation of land held for development as of December 31, 2015 (see Note 9).	(18,244,155)	(18,244,155)
Release on transfer of land held for development as of December 31, 2015 (see Note 9).	(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
	\$ 69,708,680	69,708,680

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Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

17. Other Operating Income:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Storage fees		\$ 15,206,940	15,862,855
Freight income		4,057,852	-
Port charges		2,704,571	2,425,868
Transmission fees		2,175,135	1,448,656
Income from extinguishment of liability		1,615,947	-
Laboratory fees		1,396,940	1,738,700
Berthing fees		740,286	764,100
Agency fees		700,962	704,700
Warehouse rental	10	609,344	537,960
Miscellaneous income		268,612	279,759
Convenience store income		139,200	139,200
		<u>\$ 29,615,789</u>	<u>23,901,798</u>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

18. Selling, General and Administrative Expenses:

	2021	2020
Payroll and related costs	\$ 15,173,514	14,868,829
Product haulage	5,568,474	5,185,355
Insurance	4,177,859	4,014,041
Port charges	3,488,014	3,319,747
Utilities	1,742,547	1,879,863
Repair and maintenance	1,563,333	1,413,058
Bank and other charges	1,509,075	716,714
Rent	703,878	621,475
Security	633,330	641,842
Legal and professional fees	540,493	582,785
Dues and subscriptions	502,769	405,930
Directors' fees	399,969	147,375
Direct purchases	345,838	303,625
Fuel Usage	330,046	208,373
Office expenses	249,724	118,820
Uniform	211,869	382,797
Storage fees	191,008	144,786
Inspection	175,779	163,727
Advertising and promotion	162,357	145,919
Loss on disposal of assets	145,000	43,448
Donations	106,771	211,976
Training	93,590	62,939
Travel and entertainment	66,379	73,547
Audit fees	25,000	-
License and taxes	6,860	8,129
Freight and duty	200	773,880
Other operating expenses	199,798	140,667
	<u>\$ 38,313,474</u>	<u>36,579,647</u>

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

19. Taxation:

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

	2021	2020
Tax (receivable)/payable		
Balance, beginning of year	\$ 2,990,653	6,327,335
Income and withholding taxes	4,262,007	5,798,624
Taxes paid	(8,400,000)	(9,018,000)
Corporate tax set off against value added tax	-	(117,306)
Balance, end of year	\$ (1,147,340)	2,990,653
Net income for the year before taxation	\$ 24,259,066	21,514,048
Income tax expense calculated at the statutory rate	6,064,766	5,378,512
Tax effect of permanent differences	2,179,030	1,944,167
Tax effect on capital balancing allowance	(3,956,820)	(3,415,059)
Tax effect on losses (utilized)/not utilized	(42,969)	101,716
Current tax income	4,244,007	4,009,336
Withholding tax	18,000	18,000
Special tax on net income	-	1,771,288
Total income and withholding taxes	\$ 4,262,007	5,798,624

	2021	2020
Deferred Tax Liability		
Beginning of year	\$ 2,688,768	1,519,596
Deferred tax movement	1,562,691	1,169,172
Balance, end of year	\$ 4,251,459	2,688,768

	2021	2020
Deferred tax asset		
Beginning of year	\$ 50,256	50,256
Deferred tax movement	-	-
Balance, end of year	\$ 50,256	50,256

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

December 31, 2021

(Expressed in Eastern Caribbean Dollars)

19. Taxation: (*cont'd*)

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, 2020 to December 31, 2021.

20. Dividends:

On July 13, 2022, the Company declared dividends in the amount of \$12,351,027 representing sixty-seven (67%) percent of the consolidated earnings in respect of the 2021 financial year. (2021: \$7,273,229 in respect of 2020 financial year). Dividend payment made during the year ended December 31, 2021 amounted to \$19,445,942 (2020: nil).

21. Commitments and Contingencies:

Land lease

The Group leases land from the Government of Antigua and Barbuda on which certain pipelines have been installed. As of December 31, 2021, this lease had forty-nine (49) years remaining. The Group has a waiver of the annual rental amount of EC\$5,000.

22. Effects of Covid-19 Pandemic:

COVID-19 continues to impact the Group's business results. The Group is the sole importer and distributor of gasoline, diesel, LPG, jet fuel and fuel oil for the Antigua and Barbuda market. The Dominica branch has the largest footprint of retail locations in Dominica. Therefore, the negative effects of COVID-19 on the Antigua and Barbuda and Dominica markets will be reflected in the Group's financial results.

There was however a modest improvement in the operating results in 2021 and year to date up to April 2022, the pace of this improvement has accelerated. This improvement in operating results occurred despite the sharp spike in the prices of the Group's products in March 2022 following the outbreak of the Russia/Ukraine war. Unlike Covid - 19, there is precedent in the Group's recent history of successfully navigating the challenges of a sudden and sustained spike in the price of its products.

THE WEST INDIES OIL COMPANY LIMITED

Notes to Consolidated Financial Statements (cont'd)

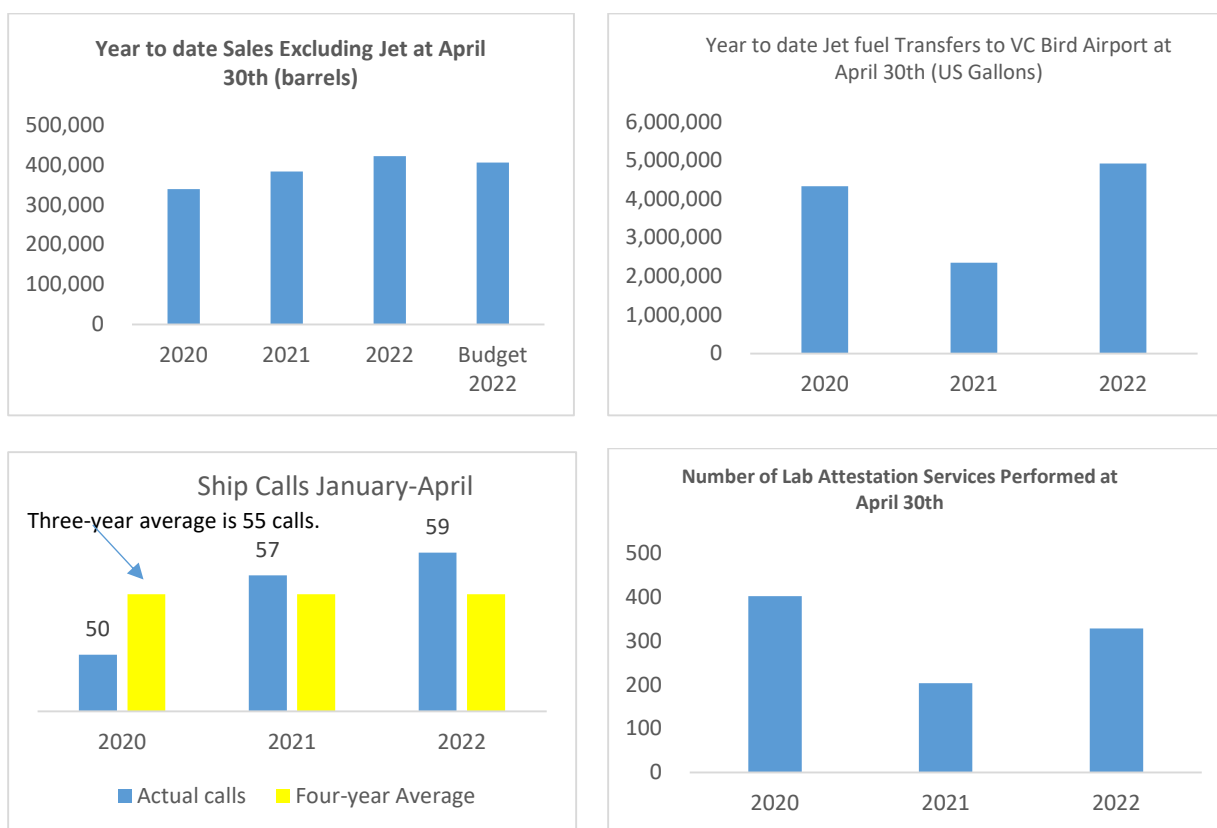
December 31, 2021

(Expressed in Eastern Caribbean Dollars)

22. Effects of Covid-19 Pandemic: (cont'd)

It is the expectation of the Group's management team that, if there are no other negative developments of the magnitude of Covid - 19, operating results will continue to improve and financial results will return to the pre-pandemic levels in line with the Group's forecasts.

The asset utilisation Key Performance Indicators (KPI) charts below shows the effects of the COVID-19 restrictions on social and economic activity on the Group's performance in 2020 and 2021 and the recovery as reflected in the year-to-date 2022 results. The first four months for each of the three years are very useful for comparative purposes. January to March 2020 were unaffected by the negative effects of Covid - 19, social distancing measures while the same period for 2021 on the other hand shows the operating results with Covid-19 social distancing measures fully in effect. The 2022 comparative period is the first to show results with fully relaxed Covid - 19 social distancing restrictions.



23. Subsequent Events:

On June 16, 2022, the Company received a final judgement regarding claims for compensation related to unfair dismissal. The Industrial Court ruled that the Company is obliged to compensate the two (2) employees in the amount of EC\$ 585,103.