Falmouth Petroleum Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 07015068

Falmouth Petroleum Limited

Company Information

Director	Richard Donald McMichael
Company secretary	Reed Smith Corporate Services Limited
Registered number	07015068
Registered office	The Broadgate Tower Third Floor 20 Primrose Street London EC2A 2RS United Kingdom
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Falmouth Petroleum Limited

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Falmouth Petroleum Limited

Strategic Report
For the year ended 31 December 2019

The director presents herewith their Strategic Report and Director's Report together with the audited financial statements of Falmouth Petroleum Limited (the "Company") for the year ended 31 December 2019.

Principal activities

The Company, incorporated in England and Wales in the United Kingdom, is a wholly-owned subsidiary of World Fuel Services European Holding Company I, Ltd, also incorporated in England and Wales in the United Kingdom, which is a wholly-owned subsidiary of World Fuel Services (Singapore) Pte. Ltd., incorporated in Singapore. The ultimate holding Company is World Fuel Services Corporation (the "Ultimate Parent Undertaking"), incorporated in the State of Florida in the United States of America.

The Company's principal activity is the supply of marine fuel and gas oil in the United Kingdom, English Channel and Irish Sea.

Business review and future outlook

The financial statements show that revenue was $74,961,466 for the year ended 31 December 2019 (2018: $70,236,839). The total operating loss for the year ended 31 December 2019 was $2,293,921 (2018: operating profit of $678,929). The loss after tax for the financial year ended 31 December 2019 was $2,769,107 (2018: profit after tax of $337,283). Net current liabilities for the year ended 31 December 2019 were $41,257,409 (2018: $39,587,058).

The Company's sales increased primarily due to adding additional delivery capacity, leading to a greater volume of sales year on year. Competitive pressures in the Company's target market led to a reduction in gross profit, together with higher commission payments to other group companies and higher supply costs incurred due to the move to a standardised grade of marine fuel. This resulted in an overall gross loss in the period compared to a gross profit in the prior year. In addition, a loss on foreign exchange, compared to a gain in the prior period, led to the business reporting an overall operating loss for the year.

The current director believes that the Company is set up for the long term and will continue to manage risk whilst seeking growth opportunities. There are no significant changes planned in the Company's operations in the foreseeable future.

Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated with the principal risks of the World Fuel Services Corporation Group (the "Group") and are not managed separately. World Fuel Services Corporation is the parent undertaking of the only group of undertakings to consolidate these financial statements. The principal risks and uncertainties of World Fuel Services Corporation, the Ultimate Parent Undertaking, are discussed from page 6 of the 2019 annual report on Form 10-K which does not form part of this report.

Key Performance Indicators ("KPIs")

The Company's director monitors progress and strategy by reference to the following KPIs:

	2019 $	2018 $	Change $	Change %
Revenue	74,961,466	70,236,839	4,724,627	7%
(Loss)/profit after tax for the financial year	(2,769,107)	337,283	(3,106,390)	(921%)

Refer to the business review and future outlook above for details explaining the operating results for the year.

Section 172(1) statement

In line with the Director's duties, under section 172(1) of the Companies Act 2006, the director must act in a way that is considered in good faith and would most likely promote the success of the Company, for the benefit of its members, as a whole. In 2019, whilst fulfilling their duties to promote the success of the Company, the director considered the interests of key stakeholders, having regard, amongst other matters to:

a) The likely consequences of any decision in the long term;
b) The interest of the Company's employees;
c) The need to foster the Company's business relationships with suppliers, customers and others;
d) The impact of the Company's operations on the community and the environment;
e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
f) The need to act fairly as between members of the Company.

The director discharged his section 172 duty by taking these and other relevant factors into consideration when making decisions. The director ensured key decisions are aligned with the strategy, vision and values of the Group (defined below), details of which can be found at: https://ir.wfscorp.com/corporate-responsibility.

The director's duties and decisions made on behalf of the Company, are supported by access to the Group and corporate governance policies and practices. The Group believes that good corporate governance is critical to support its efforts to achieve performance goals, while delivering long-term value to its shareholders, employees, customers, suppliers, communities and other stakeholders. Further, the Group collectively believes that successful stewardship of the environment and natural resources, as well as positive engagement with the communities in which the Group operates, will translate to long-term value for society and ultimately define the Company's success. Please refer to the Director's Report (page 6) for additional details on stakeholder engagement.

In 2019, the director discussed new opportunities and projects within various areas, taking into consideration the benefits and impacts to key stakeholders. The principal decisions made by the director in the financial year included the following:

- Conducting a strategic review of the Companies business with the goal of optimising delivery logistics and reducing cost, whilst maintaining the highest standards of stewardship and service;
- Communication and ongoing review of health & safety guidelines.

The impact of the above key decisions included the following stakeholder considerations:

- Our customers: were considered throughout to promote the goal that decisions made properly balanced a desire to avoid adverse impact on the high standards and/or reliability of the services provided;
- Our people: appropriate consultations were held to consider the wellbeing and safety of our employees;
- Our community and regulators: were considered through continuous review of new and existing regulations in relation to the Company's impact on the environment and local community, to promote the goal that decisions made by the Company were in compliance with the relevant laws and regulations.

Principal risks and uncertainties that could impact the Company's long-term performance are integrated with the principal risks of the Group, which are discussed above in the Strategic Report (page 1).

The United Kingdom's (UK) proposed withdrawal from the European Union (EU)

On 23 June 2016, the UK held a referendum in which British voters approved an exit from the EU, commonly referred to as "Brexit". On 31 January 2020, the UK finally exited the EU pursuant to the terms of a withdrawal agreement concluded between the UK government and the EU Council (the "Withdrawal Agreement"). The Withdrawal Agreement allows for a transition period through 31 December 2020, during which the UK's trading relationship with the EU will remain largely unchanged and the UK and the EU will continue to negotiate the terms of their ongoing relationship. Accordingly, uncertainty remains over the UK's future relationship with the EU after 2020.

We face risks associated with the potential uncertainty and consequences that may follow Brexit, including potential disruption of our supply chains and the free movement of goods, services and people between the UK and the EU and adverse changes to tax benefits or liabilities in these or other jurisdictions. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, including with respect to certain licenses or other rights granted to us under EU laws, as the UK determines which EU laws to replace or replicate. Finally, concern over the implications of Brexit have caused, and may continue to cause, volatility in global stock markets, currency exchange rate fluctuations and global economic uncertainty. Any of these effects of Brexit, among others, could have a material adverse impact on our results of operations, financial condition and cash flows.

Health and Safety

The Company's policy is to conduct its business in a manner that protects the safety of those involved in its operations, customers and the public. The Company strives to prevent all accidents, injuries and occupational illnesses through its Operations Integrity Management System. This is embedded into everyday work processes at all levels of the organisation and addresses all aspects of managing safety and health, as well as security, environmental and social risks at our facilities. The Company is committed to continuous efforts to identify, eliminate or manage health and safety risks associated with its activities.

Going concern

The Company's loss after tax for the financial year was $2,769,107 (2018: profit after tax of $337,283). At 31 December 2019 the Company had net current liabilities of $41,257,409 (2018: $39,587,058) and net liabilities of $27,701,730 (2018: $24,932,623).

World Fuel Services Corporation, the Ultimate Parent Undertaking of Falmouth Petroleum Limited, has agreed to provide adequate financial support for a period of at least twelve months following the date of the Independent Auditor's Report for the Company's year ended 31 December 2019, to the extent necessary to enable the Company to meet its continuing operating liabilities, as well as any known liabilities on the Company's Balance Sheet as at 31 December 2019, as and when they fall due. As a result of the support from the Ultimate Parent Undertaking, the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Company has adopted the going concern basis in preparing the financial statements.

This report was approved by the board and signed on its behalf by:

Richard Donald McMichael
Director

Date: 9 December 2020

Falmouth Petroleum Limited

Director's Report
For the Year Ended 31 December 2019

Directors

The directors who served during the financial year ended 31 December 2019 and up to the date of signing the financial statements are as follows:

Richard Donald McMichael
Andrew Beechall (Resigned 1 July 2020)

Director indemnities

The Company provides an indemnity for the director of the Company, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. In addition the Ultimate Parent Undertaking maintains liability insurance for its director and officers. The qualifying third party indemnity was in place during the year ended 31 December 2019 and as at the date of approval of the Annual Report.

Dividends

The Company did not pay an interim dividend for the year ended 31 December 2019 (2018: $nil). No final dividend is proposed for the year ended 31 December 2019 (2018: $nil).

Financial risk management

The financial risk management of the Company is handled by the Ultimate Parent Undertaking as part of the operations of the Group. The financial risk objectives, policies and exposures are described in the financial statements of the Ultimate Parent Undertaking from page 6 of the 2019 annual report on Form 10-K which does not form part of this report.

The Company is exposed to the following risks arising in the normal course of business:

Currency risk

The Company is exposed to exchange rate fluctuations since certain transactions that the Company enters into are denominated in Great British Pound ("GBP"). The Company mitigates this risk through entry into group foreign currency hedges. The purpose of the hedges are to mitigate risk across a number of the Group entities, the focus being on the foreign currency exposure of the Group as opposed to individual entities. The Company does not enter into these derivative contracts directly, as the wider Group manages this through specified group undertakings.

Price risk

(i) Fixed price purchases and sales

The Company is exposed to price risk to the extent that it enters into fixed price fuel purchase and/or sale commitment contracts. The Company will mitigate its price risk associated with these fixed price fuel commitment contracts through the use of offsetting fixed price fuel commitment contracts or commodity derivative contracts. The Company does not enter into these derivative contracts directly, as the wider Group manages this through specified group undertakings.

Financial risk management (continued)

Price risk (continued)

(ii) Fuel inventory

The Company is exposed to price risk to the extent that the Company may maintain fuel inventory for competitive reasons. The Company may not be able to sell inventory at market value or average cost reflected in the financial statements due to a decline in fuel price which may result in write-down of inventory cost. The Company mitigates its price risk associated with fuel inventory holdings through the use of commodity derivative contracts. The Company does not enter into these derivative contracts directly, as the wider Group manages this through specified group undertakings.

Interest rate risk

The Company has no significant exposure to interest rate risk.

Credit risk

The Company has exposure to credit risk through cash and cash equivalents and the extension of unsecured credit to customers, i.e. trade receivables net of provisions, in the normal course of business. The value of the unsecured credit, plus cash held by the Company at 31 December 2019, amounted to $10,924,645 (2018: $6,371,226).

The Company reviews the banks and financial institutions holding deposits for acceptability given the availability of banking institutions in each location.

The Company's exposure to credit losses will depend on the financial condition of customers and other factors beyond the control of the Company, such as deteriorating conditions in the world economy or in the marine and land transportation industries, political instability, terrorist activities, military action and natural disasters in our market areas.

In addition, as part of our price risk management services, the Company offers customers various pricing structures on future purchases of fuel, as well as derivative products designed to assist customers in hedging their exposure to fluctuations in fuel prices. If there is a significant fluctuation in the price of fuel there is a risk customers could decide to, or be forced to, default under their obligations to the Company.

The Company has credit standards and performs credit evaluations of customers, which are based in part on the credit history with the applicable party.

Liquidity risk

The Company relies on credit arrangements with suppliers as a significant source of liquidity. Tightening of the global credit markets could adversely affect the Company's ability to obtain credit as and when needed on commercially reasonable terms. Management believes that the Company can obtain financing from either third parties or related companies with terms acceptable to the Company as the need arises.

Post balance sheet events

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, have been significantly disrupted by the pandemic.

Post balance sheet events (continued)

While the pandemic and associated impacts on economic activity had no effect on the Group's results of operations and financial condition as of 31 December 2019, the Group has seen a decline in demand and related sales as large sectors of the global economy have been adversely impacted by the COVID-19 crisis. Accordingly, Group revenue during the second quarter of 2020 was significantly impacted due to the effects of the pandemic. While demand showed some moderate improvement during the third quarter of 2020, the Group's results remained well below pre-pandemic levels. Throughout the year, the Group has taken additional steps and have expanded the restructuring of our operations to include the rationalisation of the global office footprint, including the transition of select offices to smaller or more cost-effective locations in response to the impacts of the pandemic.

World Fuel Services Corporation, the Ultimate Parent Undertaking of Falmouth Petroleum Limited, has agreed to provide adequate financial support for a period of at least twelve months following the date of the Independent Auditor's Report for the Company's year ended 31 December 2019, to the extent necessary to enable the Company to meet its continuing operating liabilities, as well as any known liabilities on the Company's Balance Sheet as at 31 December 2019, as and when they fall due. The director has further satisfied himself that the impacts of COVID-19 does not change the availability of this support. Thus, the Company has adopted the going concern basis in preparing the financial statements.

Future outlook

Refer to the Strategic Report on page 1 for a description of future developments in the business.

Stakeholders engagement statement

The Company's key stakeholder engagement and decision making are integrated with the principles of the Ultimate Parent Undertaking, World Fuel Services Corporation (note 17). The Company does not manage key stakeholder engagement separately. The Group regularly engages with key stakeholders to better understand their perspectives, including areas such as our business strategies, financial performance and matters of corporate governance. This dialogue has helped inform the Group's decision-making processes and ensure interests remain well-aligned with those of its key stakeholders.

The Group assessed the importance of a variety of stakeholders and the potential impact of the Group's operations and actions on those stakeholders in determining its key stakeholders. The key stakeholders to the Company include the other Group companies, our customers and suppliers, our people, and the communities in which we operate. The Group engages with key stakeholders in a number of ways. Stakeholder engagement includes, but is not limited to, regular communication with customers, suppliers and members of the communities in which the Company operates on matters that of importance to such stakeholders, regular employee town hall meetings, quarterly and year-end performance presentations and investing back into its communities through supporting charities and other initiatives.

Statement of Director's Responsibilities

The director is responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

The person who is a director at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be reappointed during the year in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

Richard Donald McMichael
Director

Date: 9 December 2020

Falmouth Petroleum Limited

Independent Auditor's Report to the members of Falmouth Petroleum Limited

Opinion

We have audited the financial statements of Falmouth Petroleum Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the Company'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 the director either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Aswani *(Senior Statutory Auditor)*
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 11 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Falmouth Petroleum Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2019

	Note	2019 $	2018 $
Revenue	5	**74,961,466**	70,236,839
Cost of sales		**(75,205,618)**	(68,465,778)
Gross (loss)/profit		**(244,152)**	1,771,061
Administrative expenses		**(2,049,769)**	(1,092,132)
Operating (loss)/profit	6	**(2,293,921)**	678,929
Finance costs		**(58,704)**	(8,872)
(Loss)/profit for the financial year before taxation		**(2,352,625)**	670,057
Income tax expense	8	**(416,482)**	(332,774)
(Loss)/profit for the financial year after taxation and total comprehensive (loss)/profit for the year		**(2,769,107)**	337,283

All amounts relate to continuing activities.

There was no other comprehensive income or loss during the year ended 31 December 2019, or the year ended 31 December 2018.

The notes on pages 14 to 27 form part of these financial statements.

Falmouth Petroleum Limited

Registered number: 07015068

Balance Sheet
As at 31 December 2019

	Note	2019 $	2018 $
Non-current assets			
Property, plant and equipment	9	**16,268,545**	16,824,988
		16,268,545	16,824,988
Current assets			
Inventory	10	**4,722,877**	5,474,106
Trade and other receivables	11	**11,215,944**	6,105,663
Cash and cash equivalents		**418,691**	1,091,131
		16,357,512	12,670,900
Total assets		**32,626,057**	29,495,888
Current liabilities			
Trade and other payables	12	**57,614,921**	52,257,958
		57,614,921	52,257,958
Non-current liabilities			
Deferred tax liability	13	**800,552**	191,744
Other payables	14	**1,912,314**	1,978,809
		2,712,866	2,170,553
Total liabilities		**60,327,787**	54,428,511
Net current liabilities		**(41,257,409)**	(39,587,058)
Net liabilities		**(27,701,730)**	(24,932,623)
Equity			
Share capital	15	**332**	332
Share premium		**9,999,835**	9,999,835
Accumulated losses		**(37,701,897)**	(34,932,790)
Total shareholders' deficit		**(27,701,730)**	(24,932,623)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

Richard Donald McMichael
Director

Date: 9 December 2020

The notes on pages 14 to 27 form part of these financial statements.

Falmouth Petroleum Limited

Statement of Changes in Equity
For the Year Ended 31 December 2019

	Share capital $	Share premium $	Accumulated losses $	Total shareholders' deficit $
Balance at 1 January 2018	332	9,999,835	(35,270,073)	(25,269,906)
Profit for the financial year after taxation and total comprehensive profit for the year	-	-	337,283	337,283
Balance at 31 December 2018	332	9,999,835	(34,932,790)	(24,932,623)
Loss for the financial year after taxation and total comprehensive loss for the year	-	-	(2,769,107)	(2,769,107)
Balance at 31 December 2019	**332**	**9,999,835**	**(37,701,897)**	**(27,701,730)**

The notes on pages 14 to 27 form part of these financial statements.

1. General information

Falmouth Petroleum Limited ("the Company") is a private company, limited by share capital, incorporated and domiciled in England and Wales in the United Kingdom. The Company is a wholly-owned subsidiary of World Fuel Services European Holding Company I, Ltd, also incorporated in England and Wales in the United Kingdom, which is a wholly-owned subsidiary of World Fuel Services (Singapore) Pte. Ltd., incorporated in Singapore. The ultimate holding company is World Fuel Services Corporation (the "Ultimate Parent Undertaking"), incorporated in the State of Florida in the United States of America.

The Company's principal activity is the supply of marine fuel and gas oil in the United Kingdom, English Channel and Irish Sea.

2. Statement of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies (see note 4).

The following principal accounting policies have been applied:

3.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of World Fuel Services Corporation as at 31 December 2019 and these financial statements may be obtained from World Fuel Services Corporation, 9800 NW 41st Street, Suite 400, Miami, Florida 33178 USA.

3. Accounting policies (continued)

3.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the average rate during the period in which the transaction occurred.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income within 'administrative expenses'.

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, and discounts allowed by the Company and value added taxes.

(i) Sale of fuel

Revenue from the sale of fuel is recognised when the Company has delivered fuel to the customer; the customer has accepted the fuel, the amount of revenue can be reliably measured; and it is probable that future economic benefits will flow to the Company.

The Company generates fuel sales as a fuel reseller as well as from on-hand inventory supply. When acting as a fuel reseller, the Company generally purchases fuel from the supplier, and contemporaneously resells the fuel to the customer, normally taking delivery for purchased fuel at the same place and time as the delivery is made to the customer.

Revenue and costs arising from the sale of the fuel are therefore presented gross in the Statement of Comprehensive Income as the Company takes inventory risk, has latitude in establishing the sales price, has discretion in the supplier selection, maintains credit risk and is the primary obligor in the sales arrangement.

3. Accounting policies (continued)

3.5 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations: The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

(iii) Annual bonus plan
The Company operates an annual bonus plan for employees. An expense is recognised in the Statement of Comprehensive Income when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

3.6 Current and deferred income tax

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is not discounted.

3. Accounting policies (continued)

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is calculated using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Buildings and leasehold improvements	3 to 40 years
Computer equipment	3 years
Furniture, fixtures and office devices	3 to 7 years
Plant, machinery and equipment	5 to 40 years

Assets under construction are held at historical cost until they are brought into use at which point they are depreciated at a rate dependent upon the nature of the asset.

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'administrative expenses'.

3.8 Impairment of non-financial assets

At each Balance Sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

3. Accounting policies (continued)

3.9 Inventory

Inventories are stated at the lower of (i) cost and (ii) estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on an average costing method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

3.10 Cash and cash equivalents

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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

3.11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to and from related parties.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method.

(i) Financial assets

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Financial liabilities

Trade payables represent obligations to pay for goods and services provided to the Company in the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3. Accounting policies (continued)

3.11 Financial instruments (continued)

(ii) Financial liabilities (continued)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

3.12 Share capital

Ordinary shares are classified as equity. Called up share capital represents the nominal value of the shares issued. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.13 Share premium

The share premium account represents the amount subscribed for share capital in excess of the nominal value.

3.14 Accumulated losses

When positive, this represents the accumulation of retained profits which reflect distributable reserves. When negative, this represents accumulated retained losses in excess of historical profits.

3.15 Distributions to equity holders

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are approved by the Company's shareholders.

3.16 Government grants

Grants are accounted under the accruals model permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

The Company has not directly benefited from any other forms of government assistance.

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

i) Judgements in applying accounting policies

The judgements in applying accounting policies at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The valuation of inventory
The Company's inventory consists primarily of marine fuel products. In calculating the net realisable value of inventory, Management considers the nature and condition of the inventory, as well as applying assumptions around the salability of inventory and the amount of related transportation costs to include within the valuation calculations.

Intercompany payables
The Company has intercompany payables, which it expects will be settled without a reduction to the principal amount owed to the fellow Group undertaking. In assessing the Company's ability to repay these amounts to the fellow Group undertakings when called for, Management considers factors including current market and industry conditions, as well as historical experience of the Group's financing arrangements.

Transfer pricing
The Company enters into a number of transactions with related group companies. The Company considers a number estimates when entering these transactions to ensure that they are conducted on an arm's length basis. When assessing whether transactions with other group companies have been conducted on an arm's length basis, the director note that these decisions involve the input of internal and external tax advisers to the Company, including an analysis of comparable companies and groups who operate in similar markets to the worldwide Group.

ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of trade receivables
The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, Management considers factors including current market and industry conditions and historical experience.

Impairment of property, plant and equipment
The Company considers whether property, plant and equipment, is impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGU's). This requires estimation of the future cash flows from the CGU's and also a selection of appropriate discount rates in order to calculate the net present value of those cash flows. From this assessment, the net book value of the specified assets is reduced to the higher of the recoverable value or the value in use.

Useful economic life of property, plant and equipment
Property, plant and equipment is depreciated over their useful lives taking into account residual values where appropriate. Property, plant and equipment useful lives vary depending on the category of asset, of which, multiple categories are used. The useful lives of these assets are estimated based on product life cycle and the historical lives of similar assets used by the Company.

5. Revenue

An analysis of revenue by segment is as follows:

	2019 $	2018 $
Revenue		
Marine	**74,235,568**	68,947,773
Land	**725,898**	1,289,066
	74,961,466	70,236,839

The Company operates in the United Kingdom, English Channel and Irish Sea. Revenue is generated from the Company's principal activities.

6. Operating (loss) / profit

Operating (loss) / profit is stated after charging / (crediting):

	2019 $	2018 $
Depreciation (note 9)	**585,306**	398,256
Government grant	**(51,955)**	(47,625)
(Reversal)/provision for doubtful debt	**(29,479)**	10,236
Operating lease expense	**364,130**	338,237
Impairment (reversal)/provision of inventory balances	**(253,473)**	256,570
Foreign exchange loss/(gain)	**327,392**	(1,156,286)
Fees payable to the Company's auditor:		
(ii) for the audit of the Company's annual financial statements	**39,960**	33,032
(iii) for the preparation of the financial statements	**1,900**	1,900

Fees payable to the Company's auditor were settled by a Company within the Group in the current and prior year.

The Company is a participant in a multi-currency notional cash pooling arrangement that allows the daily excess in certain currencies that may exist in any single group member to be used by other participating Group members. The Group participants are all related companies. The Company pays $1,000 per month to WFS European Holding Company I, Limited, the Group leader of the multi-currency notional cash pooling arrangement. The Company paid $12,000 during the year ended 31 December 2019 (2018: $12,000).

7. Employee costs and director's remuneration

Particulars of employee costs are as follows:

	2019 $	2018 $
Wages and salaries	**778,603**	934,086
Social security costs	**96,787**	93,935
Other pension costs	**86,945**	87,556
	962,335	1,115,577

7. Employee costs and director's remuneration (continued)

The average monthly number of persons employed by the Company during the year was as follows:

	2019 Number	2018 Number
Sales	**1**	1
Administration	**19**	19
	20	20

The Company's director is employed by a related company and are compensated in such capacity. The director received no remuneration for their services to the Company for the year ended 31 December 2019 (2018: $nil). No shares options were exercised (2018: nil) nor were any shares received by the directors in relation to their services to the Company during the year (2018: nil).

8. Income tax expense

	2019 $	2018 $
Current taxation		
UK corporation tax on (loss)/profit of the year	**-**	192,327
Adjustments in respect of previous years	**(192,326)**	(285,831)
Total current taxation credit	**(192,326)**	(93,504)
Deferred taxation		
Originating and reversal of timing differences	**251,184**	(32,168)
Changes to tax rates	**30,744**	-
Adjustments in respect of previous years	**326,880**	458,446
Total deferred taxation expense	**608,808**	426,278
Total tax expense on (loss)/profit for the year	**416,482**	332,774

8. Income tax expense (continued)

Factors affecting tax charge for the year

The tax charge is higher (2018: higher) than the standard UK corporation tax of 19% (2018: 19%) due to certain factors. The factors affecting the tax charge are reconciled below:

	2019 $	2018 $
(Loss)/profit on ordinary activities before tax	**(2,352,625)**	670,057
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**(446,999)**	127,311
Effects of:		
Other timing differences	**(21,530)**	32,778
Changes to tax rate	**30,744**	-
Expense not subject to tax	**62**	70
Adjustments in respect of prior years	**134,554**	172,615
Losses surrendered for nil consideration	**719,651**	-
Total tax expense for the year	**416,482**	332,774

Factors affecting current and future tax charges

Changes in the UK tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These changes included reductions to the main UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and 19% to 17% with effect from 1 April 2020. On 12 March 2020, the Chancellor of the Exchequer announced that instead of the rate reducing to 17% from 1 April 2020, the main rate would remain at 19% for the foreseeable future.

9. Property, plant and equipment

	Assets under construction $	Land $	Buildings and leasehold improvements $	Computer equipment $	Furniture, fixtures and office devices $	Plant machinery and equipment $	Total $
Cost							
As at 1 January 2019	126,477	4,143,489	581,397	39,499	179,582	17,330,933	22,401,377
Additions	12,605	-	-	-	16,258	-	28,863
Transfer	(126,810)	-	-	-	6,891	119,919	-
As at 31 December 2019	**12,272**	**4,143,489**	**581,397**	**39,499**	**202,731**	**17,450,852**	**22,430,240**
Accumulated depreciation							
As at 1 January 2019	-	-	(490,518)	(39,499)	(148,390)	(4,897,982)	(5,576,389)
Charge for the year	-	-	(57,144)	-	(22,121)	(506,041)	(585,306)
As at 31 December 2019	**-**	**-**	**(547,662)**	**(39,499)**	**(170,511)**	**(5,404,023)**	**(6,161,695)**
Net book value:							
As at 31 December 2019	**12,272**	**4,143,489**	**33,735**	**-**	**32,220**	**12,046,829**	**16,268,545**
As at 31 December 2018	126,477	4,143,489	90,879	-	31,192	12,432,951	16,824,988

10. Inventory

	2019 $	2018 $
Marine fuel	**4,722,877**	5,420,577
Land fuel	**-**	53,529
	4,722,877	5,474,106

All amounts relate to finished good and goods for resale. There is no material difference between the replacement cost of inventories and the amounts stated above.

11. Trade and other receivables

	2019 $	2018 $
Trade receivables	**10,521,656**	5,319,382
Less: provision for impairment of receivables	**(15,702)**	(39,287)
Trade receivables - net	**10,505,954**	5,280,095
Other receivables	**319,715**	251,469
Prepayments and accrued income	**343,439**	574,099
Income tax receivable	**46,836**	-
	11,215,944	6,105,663

All amounts are due within one year.

12. Trade and other payables: amounts falling due within one year

	2019 $	2018 $
Trade payables	**12,307,339**	4,729,532
Amounts owed to group undertakings	**45,008,491**	47,140,725
Accrued expenses and other current liabilities	**247,136**	179,603
Deferred income	**51,955**	51,955
Income tax payable	**-**	156,143
	57,614,921	52,257,958

The amounts owed to group undertakings are unsecured, non-interest bearing and are repayable on demand.

13. Deferred tax liability

	Accelerated tax depreciation	Other	Total
	$	$	$
1 January 2018	187,094	15,843	202,937
(Charged)/credited to profit or loss	(391,408)	(3,273)	(394,681)
As at 31 December 2018	(204,314)	12,570	(191,744)
Credited/(charged) to profit or loss	(614,295)	5,487	(608,808)
As at 31 December 2019	**(818,609)**	**18,057**	**(800,552)**

14. Other payables: amounts falling due after more than one year

	2019	2018
	$	$
Deferred income and other payables	**1,912,314**	**1,978,809**
Ageing analysis	$	$
Later than 1 year and not later than 5 years	**207,820**	207,820
Later than 5 years	**1,704,494**	1,770,989
	1,912,314	1,978,809

15. Share capital

	2019	2018
	$	$
Allotted, called-up and fully paid		
200 (2018: 200) ordinary shares of £1 each ($1.66)	**332**	332

16. Commitments under operating leases

The Company had minimum lease payments under non-cancellable operating leases as set out below:

	2019	2018
	$	$
Not later than 1 year	**30,534**	30,534
Later than 1 year and not later than 5 years	**119,654**	120,530
Later than 5 years	**331,184**	390,500
	481,372	541,564

17. Ultimate parent undertaking

The immediate parent undertaking is World Fuel Services European Holding Company I, Ltd., a company incorporated in England and Wales in the United Kingdom.

The Ultimate Parent Undertaking and controlling party is World Fuel Services Corporation, a company incorporated in the state of Florida in the United States of America.

World Fuel Services Corporation is the parent undertaking of the only group of undertakings to consolidate these financial statements. The consolidated financial statements of World Fuel Services Corporation may be obtained from World Fuel Services Corporation, 9800 NW 41st Street, Suite 400, Miami, Florida USA 33178.

18. Guarantees

The Company, along with other non-US subsidiaries of the World Fuel Services Corporation Group, has cross guaranteed any amounts due under a senior credit facility held by fellow group undertakings. At the balance sheet date, the amount outstanding under these facilities guaranteed by non-US subsidiaries was $44.44m (2018: $43.65m).

The Company has access to a foreign bills of negotiation facility as part of the BG New Borrowing Group for an amount of $7.9m (£6.0m) (2018 - $7.9m (£6.0m)). As at the year end, no amounts were utilised under this facility (2018 – $Nil). This facility is due for review in December 2020.

19. Post balance sheet events

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, have been significantly disrupted by the pandemic.

While the pandemic and associated impacts on economic activity had no effect on the Group's results of operations and financial condition as of 31 December 2019, the Group has seen a decline in demand and related sales as large sectors of the global economy have been adversely impacted by the COVID-19 crisis. Accordingly, Group revenue during the second quarter of 2020 was significantly impacted due to the effects of the pandemic. While demand showed some moderate improvement during the third quarter of 2020, the Group's results remained well below pre-pandemic levels. Throughout the year, the Group has taken additional steps and have expanded the restructuring of our operations to include the rationalisation of our global office footprint, including the transition of select offices to smaller or more cost-effective locations in response to the impacts of the pandemic.

World Fuel Services Corporation, the Ultimate Parent Undertaking of Falmouth Petroleum Limited, has agreed to provide adequate financial support for a period of at least twelve months following the date of the Independent Auditor's Report for the Company's year ended 31 December 2019, to the extent necessary to enable the Company to meet its continuing operating liabilities, as well as any known liabilities on the Company's Balance Sheet as at 31 December 2019, as and when they fall due. The director has further satisfied himself that the impacts of COVID-19 does not change the availability of this support. Thus, the Company has adopted the going concern basis in preparing the financial statements.