

**World Fuel Services Aviation  
Limited**

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 07209006



# World Fuel Services Aviation Limited

## Company Information

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<b>Directors</b>	Peter Warren Edwards Richard Donald McMichael Michael John Ranger
<b>Company secretary</b>	Reed Smith Corporate Services Limited
<b>Registered number</b>	07209006
<b>Registered office</b>	The Broadgate Tower Third Floor 20 Primrose Street London EC2A 2RS
<b>Independent auditors</b>	BDO LLP 55 Baker Street London W1U 7EU

# World Fuel Services Aviation Limited

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# World Fuel Services Aviation Limited

## Strategic Report For the Year Ended 31 December 2018

The directors present their strategic report and directors' report together with the audited financial statements of World Fuel Services Aviation Limited (the "Company") for the year ended 31 December 2018.

### Principal activities

The Company, incorporated in England and Wales in the United Kingdom ("UK"), is a wholly-owned subsidiary of World Fuel Services Europe Ltd, which is a wholly-owned subsidiary of WFS UK Holding Company II Limited, both of which are incorporated in England and Wales in the UK. 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 that of aviation fuel supply.

### Business review and future outlook

The financial statements show that revenue for the year ended 31 December 2018 was \$701,703,911 (2017: \$536,256,106). The gross profit for the year ended 31 December 2018 was \$6,913,822 (2017: \$7,456,639). The profit before taxation for the year ended 31 December 2018 was \$1,593,018 (2017: \$6,093,552). The Company's net assets at 31 December 2018 were \$10,891,147 (2017: \$9,968,829).

The Company achieved higher revenues in 2018 due in part to the increase in the price of Aviation Fuel, where the average price per gallon sold was \$2.33 in 2018 as compared to \$1.83 in 2017, plus the addition of two new Airport locations and the continuing growth in sales to airlines in the commercial and business aviation sectors. The decrease in Operating Profit for the year ended 31 December 2018 from the prior year was largely a result of the foreign exchange gain recorded in 2017 which did not recur in 2018.

The directors are satisfied with the results for the financial year. No further acquisitions are planned in the foreseeable future. During 2019, two new airport locations have been negotiated, with the possibility of a third being added before the end of the 2019. Management projects organic gross profit growth in 2019 of 2-3%, in line with the wider industry.

### Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated with the principal risks of 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 pages 5 to 20 of the 2018 annual report on Form 10-K which does not form part of this report but is publicly available. Principal risks and uncertainties have been discussed further in the directors' report.

### Key performance indicators ("KPIs")

The Company's directors monitor progress and strategy by reference to the following KPIs:

	2018 \$	2017 \$	Change \$	Change %
Revenue	701,703,911	536,256,106	165,447,805	30.85%
Gross profit	6,913,822	7,456,639	(542,817)	(7.28)%

Refer to the business review and future outlook earlier in this report for details explaining the operating results for the year.

# World Fuel Services Aviation Limited

## Strategic Report (continued) For the Year Ended 31 December 2018

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### The United Kingdom's proposed withdrawal from the European Union

As a result of the June 23, 2016 referendum in which British voters approved an exit from the European Union, commonly referred to as "Brexit", a withdrawal could, among other outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the European Union. It could also undermine bilateral cooperation in key geographic areas and significantly disrupt trade between the United Kingdom and the European Union or other nations as the United Kingdom pursues independent trade relations. These factors pose a risk to the overall United Kingdom economy and as a result, our operations in the United Kingdom and the European Union, as well as our global operations could be adversely impacted.

Given the uncertainty surrounding the United Kingdom's proposed exit from the European Union, the full extent of the impact of this is currently unknown to the Company since it will depend on the potential volatility in global stock markets and fluctuations in global currencies, as well as legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Laws to replace or replicate. Uncertainty over Brexit and currency fluctuations could also impact our customers, who may closely monitor their costs and reduce their spending budgets on our products and services, which in turn, may adversely affect our business, results of operations and financial condition.

Given the extensive nature of trading in the European Union, management are continually monitoring and evaluating the potential impact of Brexit on the Company. Trading in the European Union is of significant importance to the wider World Fuel Services Corporation group. The Directors has therefore confirmed that World Fuel Services Corporation, the ultimate owner of the Company, will support the Company in the implementation of actions deemed necessary by management to mitigate any potentially negative impact on the business.

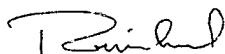
### Health and Safety

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 and eliminate or manage health and safety risks associated with its activities.

### Going concern

The Company's profit after tax for the financial year was \$922,318 (2017: \$5,954,048). At 31 December 2018 the Company had net assets of \$10,891,147 (2017: \$9,968,829). The directors have obtained confirmation from World Fuel Services Corporation that it will provide adequate financial support to enable the Company to meet its current obligations for a period of at least one year from the date of approval of these financial statements. As a result of the support from the ultimate parent company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis in preparing the financial statements.

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



**Richard Donald McMichael**  
Director

Date: 30 September 2019

# World Fuel Services Aviation Limited

## Directors' report For the Year Ended 31 December 2018

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### Directors

The directors who served during the financial year ended 31 December 2018 and up to the date of signing the financial statements are as follows:

Peter Warren Edwards	
Richard Donald McMichael	
Michael John Ranger	
Adrienne Beth Bolan	(resigned 1 August 2018)
Mark William Amor	(resigned 10 September 2018)

### Directors' indemnities

The ultimate parent company maintains liability insurance for its directors and officers, including the directors of the company, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This indemnity provision was in force during the year ended 31 December 2018 and up to the date of signing the financial statements.

### Dividends

The Company did not pay an interim dividend for the year ended 31 December 2018 (2017: \$nil). No final dividend is proposed for the year ended 31 December 2018 (2017: \$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 World Fuel Services Corporation group. The financial risk objectives, policies and exposures are described in the financial statements of the ultimate parent company from pages 5 to 20 of the 2018 annual report on Form 10-K which does not form part of this report, but is publically available.

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

#### *Currency risk*

The Company's cash flows are largely denominated in US Dollars, which is the functional currency of the Company. As such, the Company is not subject to a significant level of currency risk exposure due to foreign exchange fluctuations.

#### *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 mitigates 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 World Fuel Services Corporation manages this through specified group undertakings.

# World Fuel Services Aviation Limited

## Directors' report (continued) For the Year Ended 31 December 2018

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### Financial risk management (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 World Fuel Services Corporation manages this through specified group undertakings.

#### Interest rate risk

The Company is exposed to interest rate risk on its long term loan. The directors of the Company believe this risk to be limited given the fixed interest rate of 6.495%.

#### Credit risk

The Company has exposure to credit risk through the extension of unsecured credit to customers in the normal course of business. 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 aviation 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 customer could decide to, or be forced to, default under their obligations to the Company. The Company does not enter into these derivative contracts directly, as the wider World Fuel Services Corporation manages this through specified group undertakings.

The Company has credit standards and performs credit evaluations of customers and suppliers, 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.

#### Future developments

Refer to the Strategic Report included previously in these financial statements for a description of future developments in the business.

# World Fuel Services Aviation Limited

## Directors' report (continued) For the Year Ended 31 December 2018

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### Directors' responsibilities statement

The directors are responsible for preparing the strategic report and directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are 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 directors are 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 auditors

Each of the persons who are directors 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 auditors are 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 auditors are aware of that information.

### Auditors

The auditors, BDO LLP will be re-appointed 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.



**Richard Donald McMichael**  
Director

Date: 30 September 2019



# World Fuel Services Aviation Limited

## Independent Auditor's Report to the members of World Fuel Services Aviation Limited

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### Opinion

We have audited the financial statements of World Fuel Services Aviation Limited ("the Company") for the year ended 31 December 2018 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 101 *Reduced Disclosure Framework* (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 2018 and of its profit 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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have 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 Directors are 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.

# World Fuel Services Aviation Limited

## Independent Auditor's Report to the members of World Fuel Services Aviation Limited (continued)

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### 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' 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 Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are 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 Directors 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 Directors are 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 Directors 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.

## World Fuel Services Aviation Limited

### Independent Auditor's Report to the members of World Fuel Services Aviation Limited (continued)

#### 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: 30 September 2019

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

# World Fuel Services Aviation Limited

## Statement of Comprehensive Income For the Year Ended 31 December 2018

	Note	2018 \$	2017 \$
Revenue	4	701,703,911	536,256,106
Cost of sales		(694,790,089)	(528,799,467)
<b>Gross profit</b>		<b>6,913,822</b>	<b>7,456,639</b>
Administrative expenses		(3,767,526)	(195,283)
<b>Operating profit</b>	5	<b>3,146,296</b>	<b>7,261,356</b>
Finance expenses	6	(3,131,828)	(2,537,110)
Share of post-tax profits of equity accounted joint ventures		1,578,550	1,369,306
<b>Profit before taxation for the financial year</b>		<b>1,593,018</b>	<b>6,093,552</b>
Income tax expense	7	(670,700)	(139,504)
<b>Profit after taxation for the financial year</b>		<b>922,318</b>	<b>5,954,048</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>922,318</b>	<b>5,954,048</b>

All amounts relate to continuing activities.

The notes on pages 12 to 29 form part of these financial statements.

# World Fuel Services Aviation Limited

## Balance Sheet As at 31 December 2018

	Note	2018 \$	2017 \$
<b>Non-current assets</b>			
Intangible assets	8	6,397,881	6,567,751
Investments	9	6,660,527	5,151,915
Property, plant and equipment	10	9,109,569	5,802,716
		<u>22,167,977</u>	<u>17,522,382</u>
<b>Current assets</b>			
Trade and other receivables	11	63,208,777	63,649,374
Inventory	12	10,350,926	12,038,201
Cash and cash equivalents		49,559	49,555
		<u>73,609,262</u>	<u>75,737,130</u>
<b>Total assets</b>		<u>95,777,240</u>	<u>93,259,512</u>
<b>Non-current liabilities</b>			
Notes payable	13	32,063,787	30,108,372
Deferred tax liability	14	482,203	463,294
Other long term liabilities		236,551	261,665
		<u>32,782,542</u>	<u>30,833,331</u>
<b>Current liabilities</b>			
Trade and other payables	15	52,103,551	52,457,352
<b>Total liabilities</b>		<u>84,886,093</u>	<u>83,290,683</u>
<b>Net assets</b>		<u>10,891,147</u>	<u>9,968,829</u>
<b>Equity</b>			
Share capital	16	2	2
Retained earnings		10,891,145	9,968,827
<b>Total shareholders' funds</b>		<u>10,891,147</u>	<u>9,968,829</u>

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



**Richard Donald McMichael**  
Director

Date: 30 September 2019

The notes on pages 12 to 29 form part of these financial statements.

# World Fuel Services Aviation Limited

## Statement of Changes in Equity For the Year Ended 31 December 2018

	Share capital \$	Retained earnings \$	Total shareholders' funds \$
<b>Balance at 1 January 2017</b>	2	4,014,779	4,014,781
Profit for the financial year	-	5,954,048	5,954,048
Other comprehensive income	-	-	-
Total comprehensive income	-	5,954,048	5,954,048
<b>Balance at 31 December 2017</b>	<u>2</u>	<u>9,968,827</u>	<u>9,968,829</u>
Profit for the financial year	-	922,318	922,318
Other comprehensive income	-	-	-
Total comprehensive income	-	922,318	922,318
<b>Balance at 31 December 2018</b>	<u>2</u>	<u>10,891,145</u>	<u>10,891,147</u>

The notes on pages 12 to 29 form part of these financial statements.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 1. General information

World Fuel Services Aviation Limited ("the Company") is a private company limited by share capital, incorporated in England and Wales in the United Kingdom ("UK"). It is a wholly-owned subsidiary of World Fuel Services Europe Ltd, which is a wholly-owned subsidiary of WFS UK Holding Company II Limited, both of which are incorporated in England and Wales in the UK. 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 that of aviation fuel supply.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see Note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 'Financial Instruments: Disclosures'.
- the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'.
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'.
- the requirements of IAS 7 'Statement of Cash Flows'.
- the requirements of paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- the requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures'.

#### 2.3 New standards, amendments and IFRIC interpretations

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are new accounting standards effective for the year ended 31 December 2018. The standard is effective from 1 January 2018. The directors have assessed the impact of these new accounting standards and concluded that the standard will not have a material impact on the Company (see Note 20). There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018.

#### 2.4 Going concern

The Company's profit after tax for the financial year was \$922,318 (2017: \$5,954,048). At 31 December 2018 the Company had net assets of \$10,891,147 (2017: \$9,968,829).

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.4 Going concern (continued)

The directors have obtained confirmation from World Fuel Services Corporation that it will provide adequate financial support to enable the Company to meet its current obligations for a period of at least one year from the date of approval of these financial statements. As a result of the support from the ultimate parent company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis in preparing the financial statements.

#### 2.5 Consolidated financial statements

The financial statements contain information about World Fuel Services Aviation Limited as an individual company and do not contain consolidated financial information as the parent of the Group. The Company has taken the exemption under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included in the consolidated statements of its ultimate parent undertaking, World Fuel Services Corporation, whose financial statements are publicly available. A copy of the consolidated financial statements can be obtained as per Note 17.

#### 2.6 Business combinations and goodwill

The company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

##### *(a) Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment and is therefore not assigned a useful economical life. The carrying value of the cash-generating unit (CGU) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### *(b) Customer relationship - intangibles*

Customer relationship intangibles acquired in a business combination are recognised at fair value at the acquisition date. Customer relationship intangibles have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives of 10 years.



# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.7 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of aviation fuel in the ordinary course of the Company's activities as per the following 5 step model:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The Company recognises revenue from the sale of aviation fuel in accordance with the relevant master supply agreements or spot sale contracts in the period in which the fuel is supplied, when the amount of revenue can be reliably measured and when it is considered probable that the future economic benefits will flow to the Company. Each unit of fuel is treated as a different performance obligation, with a clearly distinguishable obligation to provide fuel. Revenue is therefore recognised on a daily basis, in line with sales made in the year. Revenue from the sale of fuel is recognised when the company has delivered fuel to the customer and the customer has accepted the fuel.

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 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 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.

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added taxes and other sales taxes.

#### 2.8 Foreign currency transactions

##### 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 daily exchange rate during the period that the transaction occurs.

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.

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.

Foreign exchange gains and losses are presented in the statement of comprehensive income within administrative expenses.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.9 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.

#### 2.10 Operating leases

Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the term of the lease. Incentives received associated with the lease are released to the statement of comprehensive income over the period of the lease.

#### 2.11 Financial assets

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.

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.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.11 Financial assets (continued)

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 statement of financial position 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.

#### 2.12 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 which are subject to insignificant risk of change in value.

#### 2.13 Trade and other receivables

Trade and other receivables are amounts due from customers from the sale of aviation fuel in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

#### 2.14 Investments

##### *(i) Investments in subsidiary companies*

Investments in subsidiary companies are held at cost less accumulated impairment losses.

##### *(ii) Investments in joint ventures*

Investments in joint ventures are accounted for using the equity method. The share of profit is related to the investment is recorded within the statement of comprehensive income within the period that it relates to.

#### 2.15 Inventory

Inventory consists of aviation fuel products bought for resale and is stated at the lower of cost or net realisable value using the average cost method. Components of inventory cost include fuel purchase and related transportation costs.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 2. Accounting policies (continued)

#### 2.16 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

	Useful lives
Leasehold improvements	3 to 7 years
Furniture, fixtures and office equipment	3 to 7 years
Plant, machinery and equipment	5 to 30 years
Tanks and terminals	5 to 10 years

Construction in progress is not depreciated until it is placed into service.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the statement of comprehensive income.

#### 2.17 Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment at each balance sheet date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount within the comprehensive income statement. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of property, plant and equipment are reviewed for possible reversal at each reporting date.

#### 2.18 Trade and other payables

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

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.19 Dividends

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

Dividends received from investment undertakings are recorded within the statement of comprehensive income at the point at which dividends are declared provided the inflow of positive economic resources is expected.

#### 2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are shown in equity as a deduction from the proceeds.

### 3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period.

The directors believe the following to be the key areas of estimation and judgement:

#### *Carrying value of investments*

The company reviews the valuation of its investments for impairment annually or if events and changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows.

#### *Carrying value of trade and other 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 the credit rating of the receivable, the ageing profile of receivables and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 11 for the net carrying amount of the receivables and associated impairment provision.

#### *Carrying value of intangible assets*

The Company considers whether intangible assets are 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.

#### *Carrying value of inventory*

The Company's inventory consists of aviation 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 sale-ability of inventory and the amount of related transportation costs to include within the valuation calculations.

#### *Classification of leases*

Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 3. Critical accounting estimates and judgements (continued)

#### *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 Directors 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.

### 4. Revenue

A geographical analysis of revenue by destination is as follows:

	2018 \$	2017 \$
<b>Revenue</b>		
United Kingdom	466,604,469	341,830,240
Rest of European Union	235,099,442	194,425,866
	<u>701,703,911</u>	<u>536,256,106</u>

All revenue is generated within the aviation sector from the Company's principal activity.

### 5. Operating profit

Operating profit is stated after charging/(crediting):

	2018 \$	2017 \$
Inventory recognised as an expense	649,262,545	481,799,756
Impairment of trade receivables	(48,763)	298,294
Foreign exchange loss/(gain)	95,912	(3,764,593)
Depreciation	733,557	508,777
Amortisation of intangible assets	169,870	345,746
Fees payable to the Company's auditors:		
- for the audit of the Company's annual financial statements	43,363	32,685
- for preparation of the financial statements	<u>1,950</u>	<u>1,950</u>

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 World Fuel Services European Holding Company I, Ltd, the group leader of the multi-currency notional cash pooling arrangement. The Company paid \$12,000 during the year ended 31 December 2018 (2017: \$12,000).

The Company had no employees for the year ended at 31 December 2018 (2017: nil). The Company reimburses World Fuel Services Europe, Ltd. for various employment services charged at the costs of its operation on a monthly basis. The amount recharged for the year ended at 31 December 2018 was \$1,539,683 (2017: \$1,455,618). The Company also reimburses a subsidiary, Redline Oil Services Limited for the provision of manpower services at key airport locations. The amount recharged for the year ended 31 December 2018 was \$6,987,992 (2017: \$6,726,923). The Company's directors received no remuneration during the year ended 31 December 2018 (2017: \$nil) in connection with their services to the Company.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 6. Finance expense

	2018 \$	2017 \$
Interest on intercompany loans	1,955,414	1,836,163
Discount of sale of trade receivables	1,164,414	688,947
Other finance costs	12,000	12,000
	<u>3,131,828</u>	<u>2,537,110</u>

### 7. Taxation

	2018 \$	2017 \$
<b>Current tax</b>		
UK corporation tax on profits of the year	8,467	-
Adjustment in respect of previous years	<u>639,563</u>	<u>2,850</u>
<b>Total current tax</b>	<u>648,030</u>	<u>2,850</u>
<b>Deferred tax</b>		
Originating and reversal of timing differences	<u>22,670</u>	<u>136,654</u>
<b>Total deferred tax</b>	<u>22,670</u>	<u>136,654</u>
<b>Total tax on profits for the year</b>	<u>670,700</u>	<u>139,504</u>

#### Factors affecting tax charge for the year

The tax charge differs from the standard UK Corporation tax of 19% (2017 – 19.25%) due to certain factors. The factors affecting the tax charge are reconciled below.

	2018 \$	2017 \$
Profit on ordinary activities before tax	1,593,018	6,093,552
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	302,673	1,173,009
<b>Effects of:</b>		
Timing differences	28,389	160,173
Income not subject to tax	(299,925)	(11,718)
Adjustments in respect of previous years	639,563	2,850
Group losses to be claimed for nil consideration	-	(1,184,810)
<b>Total tax charge for the year</b>	<u>670,700</u>	<u>139,504</u>

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 7. Taxation (continued)

#### Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1st April 2015. Further changes in UK corporation tax rates were substantively enacted as part of the 2015 finance bill on 26 October 2015 and the 2016 finance bill on 7 September 2016. These changes include reductions to the main UK corporation tax rate from 20% to 19% with effect from 1 April 2018 and from 19% to 17% with effect from 1 April 2020.

### 8. Intangible assets

The net book value of the Company's intangible assets as at 31 December 2018 is presented below:

	Customer relationships \$	Goodwill \$	Total \$
<b>Cost</b>			
At 1 January 2018	2,240,000	4,699,176	6,939,176
Additions	-	-	-
As at 31 December 2018	<u>2,240,000</u>	<u>4,699,176</u>	<u>6,939,176</u>
<b>Accumulated amortisation and impairment:</b>			
At 1 January 2018	371,425	-	371,425
Amortisation	169,870	-	169,870
As at 31 December 2018	<u>541,295</u>	<u>-</u>	<u>541,295</u>
<b>Net book value:</b>			
At 31 December 2018	<u>1,698,705</u>	<u>4,699,176</u>	<u>6,397,881</u>
At 31 December 2017	<u>1,868,575</u>	<u>4,699,176</u>	<u>6,567,751</u>

Intangible assets amortisation is recorded in administrative expenses in the statement of comprehensive income.



# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 9. Investments

	Shares in subsidiary undertakings	Other long term investments and joint ventures	Total
	\$	\$	\$
<b>Cost</b>			
Cost as at 1 January 2018	2,382,082	2,769,833	5,151,915
Share of profits for the year ended 31 December 2018	-	1,508,612	1,508,612
Dividend for the year ended 31 December 2018	-	-	-
As at 31 December 2018	<u>2,382,082</u>	<u>4,278,445</u>	<u>6,660,527</u>

Included in the above share of profits for the year ended 31 December 2018 is a reduction to the share of profits recognised for the year ended 31 December 2017 of \$69,938 to reflect the true amount of the Company's share of profit for the previous period.

There have been no changes to the percentages of ownership of the Company's investments during the year.

The Company has investments in the following entities:

<i>Subsidiary or Associate</i>	<i>Registered address</i>	<i>Principal business activities</i>	<i>Percentage of Ownership</i>
Redline Oil Services Limited	The Broadgate Tower Third Floor, 20 Primrose Street, London, EC2A 2RS	Provision of manpower services	100%
World Fuel Services (KG) LLC	71, Erkindik avenue, Bishkek, 720040, Kyrgyz Republic	Fuel storage	5%
<i>Joint Venture</i>	<i>Registered address</i>	<i>Principal business activities</i>	<i>Percentage of Ownership</i>
Manchester Airport Storage and Hydrant Company Limited	Bircham Dyson Bell, 50 Broadway, London, SW1H 0BL	Fuel storage and hydrant system operation	25%

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 9. Investments (continued)

There are no indirect shareholdings held as at 31 December 2018.

Manchester Airport Storage and Hydrant Company Limited is a 25% owned Joint Venture. The principal activity of the Company is the storage of aviation fuel and the management of the hydrant systems at Manchester Airport.

Summarised financial information prior to intra-group eliminations is presented below.

	2018 GBP £	2017 GBP £
<b>For the year ended 31 December 2018</b>		
Revenue	10,699,000	9,985,000
Cost of Sales	(4,837,000)	(4,740,000)
Gross profit	5,862,000	5,245,000
Administrative expenses	(42,000)	(29,000)
Operating profit	5,820,000	5,216,000
Interest receivable and similar income	36,000	29,000
Interest payable and similar expenses	(103,000)	(231,000)
Profit before taxation	5,753,000	5,014,000
Tax on profit	(1,061,000)	(961,000)
Profit for the financial year	4,692,000	4,053,000
Dividends	-	(3,755,000)
Net increase in Retained Earnings	4,692,000	298,000
<b>As at 31 December 2018</b>		
Assets:		
Tangible fixed assets	10,338,000	4,209,000
Debtors: Amounts falling due within one year	1,801,000	2,033,000
Debtors: Amounts falling due after more than one year	300,000	300,000
Cash at bank	7,962,000	7,435,000
Total assets	20,401,000	13,977,000
Liabilities:		
Creditors falling due within one year	(2,881,000)	(5,596,000)
Creditors falling due after more than one year	(4,129,000)	-
Provisions for liabilities	(2,156,000)	(1,838,000)
Total liabilities	(9,166,000)	(7,434,000)
Net Assets:	11,235,000	6,543,000

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 10. Property, Plant and Equipment

	Leasehold improvements \$	Tanks and terminals \$	Furniture, fixtures and office equipment \$	Construction in progress \$	Plant, machinery and equipment \$	Total \$
<b>Cost</b>						
At 1 January 2018	30,487	2,814,141	29,810	587,734	3,477,521	6,939,693
Additions	21,095	-	-	-	4,019,315	4,040,410
Disposals	-	-	-	-	-	-
Transfer	-	-	-	(587,734)	587,734	-
As at 31 December 2018	<u>51,582</u>	<u>2,814,141</u>	<u>29,810</u>	<u>-</u>	<u>8,084,570</u>	<u>10,980,103</u>
<b>Accumulated depreciation</b>						
At 1 January 2018	11,693	489,283	22,733	-	613,268	1,136,977
Charge for the year	14,335	313,878	4,853	-	400,491	733,557
As at 31 December 2018	<u>26,028</u>	<u>803,161</u>	<u>27,586</u>	<u>-</u>	<u>1,013,759</u>	<u>1,870,534</u>
<b>Net book value:</b>						
At 31 December 2018	<u>25,554</u>	<u>2,010,980</u>	<u>2,224</u>	<u>-</u>	<u>7,070,811</u>	<u>9,109,569</u>
At 31 December 2017	<u>18,794</u>	<u>2,324,858</u>	<u>7,077</u>	<u>587,734</u>	<u>2,864,253</u>	<u>5,802,716</u>

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 11. Trade and other receivables

	2018 \$	2017 \$
Trade receivables	48,995,144	43,826,138
Less: provision for impairment of receivables	(289,167)	(371,465)
Trade receivables - net	<u>48,705,977</u>	<u>43,454,673</u>
Value added tax receivable	10,636,200	2,948,500
Amounts due from group undertakings	1,959,862	15,806,905
Prepayments and other receivables	262,811	1,439,296
Loan to related party (Note 19)	1,643,927	-
	<u>63,208,777</u>	<u>63,649,374</u>

Amounts due from group undertakings are non-interest bearing and repayable on demand.

Amounts of \$1,643,927 (2017: \$nil) relating to a loan to a related party fall due for repayment in over five years, within the year ended 31 December 2025. All other balances are due within one year.

### 12. Inventory

	2018 \$	2017 \$
Aviation fuel inventory	<u>10,350,926</u>	<u>12,038,201</u>

There is no material difference between the replacement cost of inventories and the amounts stated above.

Inventories are stated after provisions for impairment of \$312,828 (2017: \$544,797) which relates to a difference in the average cost of inventory and market value as at 31 December 2018.

### 13. Notes payable

	2018 \$	2017 \$
Intercompany note payable	<u>32,063,787</u>	<u>30,108,372</u>

The above note payable relates to a zero-coupon long term loan note yielding 6.495%, repayable in December 2023.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 14. Deferred tax liability

	Accelerated tax depreciation \$	Provision for impairment of trade receivables \$	Business Combinations, Intangible amortization and accrued expenses \$	Total \$
<b>1 January 2017</b>	(21,871)	(43,565)	391,554	326,118
Charged / (credited) to the income statement	879,869	8,213	(751,428)	136,654
Foreign exchange	-	522	-	522
<b>31 December 2017</b>	<u>857,998</u>	<u>(34,830)</u>	<u>(359,874)</u>	<u>463,294</u>
Charged / (credited) to the income statement	25,810	(30,218)	27,078	22,670
Foreign exchange		(3,761)		(3,761)
<b>At 31 December 2018</b>	<u>883,808</u>	<u>(68,809)</u>	<u>(332,796)</u>	<u>482,203</u>

### 15. Trade and other payables

	2018 \$	2017 \$
Trade payables	32,509,768	40,113,375
Accruals and deferred income	1,046,960	565,369
Income tax payable	562,614	-
Other payables	17,984,209	11,778,608
	<u>52,103,551</u>	<u>52,457,352</u>

### 16. Share capital and reserves

	2018 \$	2017 \$
<b>Authorised</b>		
1 (2017: 1) ordinary shares of £1 each (USD):	<u>2</u>	<u>2</u>
<b>Allotted, called up and fully paid</b>		
1 (2017: 1) ordinary shares of £1 each (USD):	<u>2</u>	<u>2</u>

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

The Company has one issued, allotted and fully paid ordinary shares for £1, translated to \$1.53 at a 1.529 rate of exchange at the date of issue.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

### 17. Controlling party

The immediate parent undertaking is World Fuel Services Europe, 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 41<sup>st</sup> Street, Suite 400, Miami, Florida USA 33178.

### 18. Operating leases

As at 31 December 2018 and 2017 the Company had the following minimum lease payments under non-cancellable operating leases:

	2018 \$	2017 \$
Not later than one year	613,032	330,370
Later than one year and not later than five years	1,969,378	934,452
Over five years	2,662,957	1,361,227
	<u>5,245,367</u>	<u>2,626,049</u>

### 19. Related party transactions

During the year on 31 May 2018, the Company entered into a loan facility agreement with the 25% owned joint venture Manchester Airport Storage and Hydrant Company Limited for a maximum value of GBP £10,000,000 to finance the redevelopment and expansion of the Manchester Airport hydrant network and storage tanks, including related costs and expenses.

The related loan generates interest quarterly in arrears at the rate per annum equal to the aggregate of LIBOR + 4.33%, with the principal amount drawn down having a repayment date of 7 years from the date of drawdown.

As at 31 December 2018, there is a total amount outstanding of £1,298,898 (\$1,643,927), which includes accrued interest. This is included within trade and other receivables within greater than five years and is due for repayment in the year ended 31 December 2025.

There were no transactions with the directors during the year (2017: \$nil), or outstanding balances as at 31 December 2018 (2017: \$nil).

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

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### 20. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Company's financial statements.

#### Impact on the financial statements

IFRS 9 and IFRS 15 were adopted without restating comparative information as the impact was concluded by the directors as being immaterial. The impact of the adoption of the required impairment rules under IFRS 9 is immaterial, therefore there is no impact on the closing balance sheet of the prior period as at 31 December 2017, nor the opening balance sheet as at 1 January 2018. The directors have also considered the impact of Revenue Recognition under IFRS 15. The impact on the financial statements was concluded to be \$Nil, given the nature of the business, therefore no adjustments have been made to the financial statements.

#### IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 did not result in material changes in accounting estimates relating to expected credit losses, and there are no adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2 above. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

There is no impact on the Company's retained earnings as at 1 January 2018 and 1 January 2017.

There were no adjustments made to line items in the statement of comprehensive income and the statement of other comprehensive income for the 2017 reporting period relating to IFRS 9 adjustments.

#### Impairment of financial assets

The Company has multiple types of financial asset subject to IFRS 9's new expected credit loss model: amounts due from group undertakings, trade receivables and loan to related party.

The Company was required to revise its impairment methodology under IFRS 9 for the asset class. The impact arising from the change in impairment methodology on the Company's retained earnings and equity was concluded to be immaterial, therefore no adjustment has been made to the financial statements.

The below accounting policy, per Note 2, has now been adopted by the Company given the adoption of IFRS 9.

#### Amounts due from group undertakings

The Company applies the IFRS 9 three stage expected credit loss model to measure expected credit losses. To measure the expected credit losses, the credit risk of amounts due from group undertakings has been assessed. The Directors have concluded that given the strong repayment position of the Group, the amounts receivable from related group companies are classified as stage 1 assets. Any expected credit losses for the foreseeable 12 months arising from these assets has been considered, and concluded as being immaterial to the financial statements. Upon application of this model on 1 January 2018, no transitional adjustments have been made to the financial statements.

# World Fuel Services Aviation Limited

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2018

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### 20. Changes in accounting policies (continued)

#### IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

To achieve this objective, IFRS 15 provides the following five-step process:

- Identify the Contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

Revenue is measured at the fair value of consideration received or receivable for the sale of aviation fuels in the ordinary course of the Company's activities. The Company recognises revenue in accordance with the relevant master supply agreements or spot sale contracts in the period which the fuel is supplied, when the amount of revenue can be reliably measured and when it is considered probable that the future economic benefits will flow to the Company. Each unit of fuel is treated as a different performance obligation, with a clearly distinguishable obligation to provide fuel. Revenue is therefore recognised on a daily basis, in line with sales made in the year. Therefore, there is no impact on the recognition of revenue in this Company.