

The Lubricant Company Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number SC258167

The Lubricant Company Limited

Company Information

Directors	Richard Donald McMichael Paul Thomas Vian
Company secretary	Reed Smith Corporate Services Limited
Registered number	SC258167
Registered office	Summit House 4-5 Mitchell Street Edinburgh Scotland EH6 7BD United Kingdom
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

The Lubricant Company Limited

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The Lubricant Company Limited

Strategic Report For the Year Ended 31 December 2020

The directors present herewith the Strategic Report and Directors' Report together with the audited financial statements of The Lubricant Company Limited (the "Company") for the year ended 31 December 2020.

Principal activities

The Company, limited by share capital, incorporated and domiciled in Scotland in the United Kingdom, is a wholly owned subsidiary of WFS UK Holding Company II Limited, which is incorporated in England and Wales in the United Kingdom. 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 continues to be that of an investment holding company.

Business review and future outlook

The loss after tax for the financial year amounted to \$13,506k (2019: profit after tax of \$211,287k). The Company's activities include acting as an investment holding company and any profits are limited to the receipt of dividend income, net of the Company's finance costs on its debts. The movement in the Company's reported result after tax when compared to the prior year is primarily due to the fact that no dividend income was received (2019: \$250,000k) coupled with a reduction in the finance expense from \$39,694k in the prior year to \$13,442k in the current year.

The Company had net assets as at 31 December 2020 of \$1,029,535k (2019: \$1,043,041k), with the movement primarily relating to the finance expense on borrowings.

The military-related activities of the Company's key investments have benefitted from strong sales to NATO in Afghanistan. The level of troop deployments and military-related activities can cause sales to vary significantly and materially impact operating results. In the early part of 2020, the U.S. entered into an agreement with the Taliban where it agreed to reduce the level of troops and negotiate a full withdrawal by 2021, subject to various conditions including a peace agreement being reached between the government of Afghanistan and the Taliban. The U.S. government has since moved forward with a significant reduction in the level of troops. Beginning in May 2021, the U.S. and NATO began their final withdrawal of the remaining U.S. and NATO troops in the area, which was completed by August 31, 2021. In connection therewith, the Company's investments expect to experience material decline in sales to NATO in Afghanistan in 2021 and future years. Based on these events, Management has assessed the affected investments for impairment as of 31 December 2020 and concluded their respective carrying amounts are recoverable as at the balance sheet date.

The current directors are satisfied with the results for the year.

Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated with the principal risks of the World Fuel Services 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 2020 Annual Report on Form 10-K which does not form part of this report.

Key performance indicators ("KPIs")

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

	2020	2019	Change	Change
	\$'000	\$'000	\$'000	%
Net assets	1,029,535	1,043,041	(13,506)	(1.3)%

Refer to the business review and future outlook above for an explanation of the movement in the KPI.

The Lubricant Company Limited

Strategic Report (continued) For the Year Ended 31 December 2020

Section 172(1) statement

The Company's stakeholder engagement and decision making are integrated with the principles and activity of the ultimate parent World Fuel Services Corporation (note 13). The stakeholder engagements are not managed separately, and the Group regularly engages with the 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 and ensure interests remain well-aligned with those of the key stakeholders. The key stakeholders relevant to the Company include other Group companies and regulators. The Company's key stakeholders are managed through the Group which engages with key stakeholders in a number of ways.

In line with the director's duties, under section 172(1) of the Companies Act 2006, the directors 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 2020, whilst fulfilling their duties to promote the success of the Company, the directors considered the interests of key stakeholders, having regard, amongst other matters to:

- a) The likely consequences of any decisions in the long term;
- b) The need to foster business relationships;
- c) The impact of the Company's operations on the community and the environment;
- d) The desirability of the Company to maintain a reputation for high standards of business conduct; and
- e) The need to act fairly between members of the Company.

The directors discharge their section 172 duties by taking these and other relevant factors into consideration when making decisions. The directors ensure 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 directors' 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.

In 2020, the directors continued to implement the Company's key objectives. In the year ended 31 December 2020, no decisions regarding Company activity were significant enough to require Company board approval. The strategy of the Company's investments in the subsidiaries was managed by the Group, with the purpose to safeguard the investments' value and build sustainable long-term growth. In the pursuit of the Company's purpose, the interests of all stakeholders were considered by the Group.

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).

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



Richard Donald McMichael
Director

Date: 22 September 2021

The Lubricant Company Limited

Directors' Report For the Year Ended 31 December 2020

Directors

The directors who served during the year ended 31 December 2020 and up to the date of signing the financial statements are as follows:

Richard Donald McMichael
Paul Thomas Vian

Directors' indemnities

The Company provides an indemnity for the directors 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 directors and officers. The qualifying third party indemnity was in place during the year ended 31 December 2020 and as at the date of approval of the Annual Report.

Dividends

The Company paid no interim dividend for the year ended 31 December 2020 (2019: \$nil). No final dividend is proposed for the year ended 31 December 2020 (2019: \$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 Undertaking from page 6 of the 2020 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's exposure to exchange rate changes results from amounts due from related companies denominated in GBP. The Company mitigates the exchange risk through participation in a foreign currency hedge entered into by a related company. The purpose of the hedge is 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 directly enter into hedging arrangements as this is performed by other Group undertakings.

Price risk

The Company has no exposure to price risk given the activities the Company performs.

Interest rate risk

The Company has exposure to interest rate risk given that short-term debt outstanding at 31 December 2020 bears interest of variable rates. This is limited to an outstanding debt amount of \$375,026k (2019: \$375,026k) since this is based on one-year Libor +2.5% (note 10).

Credit risk

Credit risk arises from trade and other receivables. As at 31 December 2020, the Company has receivables due from group undertakings of \$12,733k (2019: \$12,815k). The maximum exposure to credit risk at the reporting date is the carrying value of these receivables as presented on the Balance Sheet. The Company does not hold any collateral as security.

The Lubricant Company Limited

Directors' Report (continued) For the Year Ended 31 December 2020

Financial risk management (continued)

Liquidity risk

The Company relies on unsecured credit and loans from related companies as a significant source of liquidity. Management believes that the Company can obtain financing from related companies with terms acceptable to the Company as the need arises.

Post balance sheet events

Beginning in May 2021, the U.S. and NATO began their final withdrawal of the remaining U.S. and NATO troops in the area, which was completed by August 31, 2021. In connection therewith, the Company's investments expect to experience material decline in sales to NATO in Afghanistan in 2021 and future years. In connection therewith, the Company's investments expect to experience material decline in sales to NATO in Afghanistan in 2021 and future years. Based on these events, Management has assessed the affected investments for impairment as of 31 December 2020 and concluded their respective carrying amounts are recoverable as at the balance sheet date.

Future developments

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

Impact of COVID-19

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The pandemic and associated impacts to the global economic conditions had no direct effect on the Company given its principal activities. The wider Group continues to assess and manage the impact of COVID-19 on the Company's investments, as part of the general operations.

Going concern

The loss after tax for the year was \$13,506k (2019: profit after tax of \$211,287k) and net assets as at 31 December 2020 were \$1,029,535k (2019: \$1,043,041k).

World Fuel Services Corporation, the Ultimate Parent Undertaking of The Lubricant Company 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 2020, 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 2020, as and when they fall due, and further confirms that no credit loss will be incurred by the Company in respect of the amounts owed to it by fellow group undertakings for the periods presented within these financial statements. As a result of the support from the Ultimate Parent Undertaking, the directors have reasonable expectations 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.

Whilst COVID-19 has had an effect on the World Fuel Services Corporation group, due to initiatives taken relating to cost reduction, liquidity and operating efficiencies, it has not affected the Ultimate Parent Undertaking's ability to provide adequate financial support for at least 12 months from the date of the audit report.

The Lubricant Company Limited

Directors' Report (continued) For the Year Ended 31 December 2020

Disclosure of information to auditor

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 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 re-appointed during the year in accordance with section 485 of the Companies Act 2006.

Special provisions relating to small companies

This report has been prepared in accordance with the special provisions relating to small companies subject to the small companies regime within part 15 of the Companies Act 2006 'The Small companies and Groups (Accounts and Directors Report) Regulations 2008'.

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



Richard Donald McMichael
Director

Date: 22 September 2021

The Lubricant Company Limited

Director's Responsibility Statement For the Year Ended 31 December 2020

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the 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 Statement of Comprehensive Income 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; and
- 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 him 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.

The Lubricant Company Limited

Independent Auditor's Report to the members of The Lubricant Company Limited

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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.

We have audited the financial statements of The Lubricant Company ("the Company") for the year ended 31 December 2020 which comprise Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity, and the 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

The Lubricant Company Limited

Independent Auditor's Report to the members of The Lubricant Company Limited (continued)

Other Companies Act 2006 reporting

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.

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 Directors' 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; or
- the directors were not entitled to take advantage of the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report.

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 alternatives 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The Lubricant Company Limited

Independent Auditor's Report to the members of The Lubricant Company Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

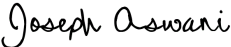
- We obtained an understanding of the legal and regulatory frameworks applicable to the entity and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (Financial Reporting Standard 101, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006);
- We determined how the entity is complying with those legal and regulatory frameworks by making enquiries of Management, internal audit, and those responsible for legal and compliance procedures, corroborating our enquiries through our review of board minutes;
- We used an engagement team with appropriate competence and capabilities to identify non-compliance with laws and regulations; and
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with Management from various parts of the business to understand where it is considered there was a susceptibility to fraud. We also considered the processes controls that the entity has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those process controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

DocuSigned by:

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

Date: 22 September 2021

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

The Lubricant Company Limited

Statement of Comprehensive Income For the Year Ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Administrative expenses		(64)	629
Operating (loss)/profit	4	(64)	629
Finance expense	5	(13,442)	(39,694)
Dividend income	6	-	250,000
Gain on disposal of investment		-	400
(Loss)/profit before taxation for the year		(13,506)	211,335
Income tax	7	-	(48)
(Loss)/profit after taxation for the year and total comprehensive (loss)/profit for the year		(13,506)	211,287

All amounts relate to continuing activities.

The notes on pages 13 to 22 form part of these financial statements.

The Lubricant Company Limited

Registered number: SC258167

Balance Sheet As at 31 December 2020

	Note	2020 \$'000	2019 \$'000
Non-current assets			
Investments	8	1,414,700	1,414,700
Total non-current assets		1,417,700	1,414,700
Current assets			
Trade and other receivables	9	12,733	12,815
Total current assets		12,733	12,815
Total assets		1,427,433	1,427,515
Non-current liabilities			
Borrowings	10	397,856	-
		397,856	-
Current liabilities			
Borrowings	10	-	384,414
Trade and other payables	11	42	60
		42	384,474
Total liabilities		397,898	384,474
Net current assets / (liabilities)		12,691	(371,659)
Net assets		1,029,535	1,043,041
Equity			
Share capital	12	-	-
Share premium		825,147	825,147
Retained earnings		206,395	219,901
Translation reserve		(2,007)	(2,007)
Total equity		1,029,535	1,043,041

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

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



Richard Donald McMichael
Director

Date: 22 September 2021

The notes on pages 13 to 22 form part of these financial statements.

The Lubricant Company Limited

Statement of Changes in Equity For the Year Ended 31 December 2020

	Share Capital \$'000	Share Premium \$'000	Retained earnings \$'000	Translation Reserve \$'000	Total Equity \$'000
Balance at 1 January 2019	-	630	8,614	(2,007)	7,237
Profit after taxation for the year and total comprehensive profit for the year	-	-	211,287	-	211,287
Contributions by and distributions to owners					
Share issuance (see note 12)	-	824,517	-	-	824,517
Balance at 31 December 2019	<u>-</u>	<u>825,147</u>	<u>219,901</u>	<u>(2,007)</u>	<u>1,043,041</u>
Loss after taxation for the year and total comprehensive loss for the year	-	-	(13,506)	-	(13,506)
Balance at 31 December 2020	<u>-</u>	<u>825,147</u>	<u>206,395</u>	<u>(2,007)</u>	<u>1,029,535</u>

The notes on pages 13 to 22 form part of these financial statements.

The Lubricant Company Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. General information

The Lubricant Company Limited ("the Company") is a private company limited by shares, incorporated and domiciled in Scotland in the United Kingdom. The Company is a wholly owned subsidiary of WFS UK Holding Company II Limited, also incorporated in England and Wales in the United Kingdom. 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 an investment holding company.

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 (note 3). The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

FRS 101 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of World Fuel Services Corporation, which are publicly available (note 13). 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 17 and 18A of IAS 24 Related Party Disclosures (key management compensation); and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group; and
- the requirements of paragraph 30 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.3 Consolidated financial statements

The financial statements contain information about The Lubricant Company 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 undertakings are included in the consolidated statements of its Ultimate Parent Undertaking, World Fuel Services Corporation, a company incorporated in the United States of America, and whose financial statements are publicly available.

2.4 New standards, amendments and IFRIC interpretations

Definition of a Business (Amendments to IFRS 3), *Interest Rate Benchmark Reform - IBOR 'phase 2'* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) and *COVID-19-Related Rent Concessions* (Amendments to IFRS 16) are new amendments effective from 1 January 2020. The directors have assessed the impact of these amendments and concluded that they will not have a material impact on the Company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020.

2.5 Going concern

The loss after tax for the year was \$13,506k (2019: profit after tax of \$211,287k) and net assets as at 31 December 2020 were \$1,029,535 (2019: \$1,043,041k).

World Fuel Services Corporation, the Ultimate Parent Undertaking of The Lubricant Company 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 2020, 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 2020, as and when they fall due, and further confirms that no credit loss will be incurred by the Company in respect of the amounts owed to it by fellow group undertakings for the periods presented within these financial statements.

As a result of the support from the Ultimate Parent Undertaking, the directors have reasonable expectations 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.

Whilst COVID-19 has had an effect on the World Fuel Services Corporation group, due to initiatives taken relating to cost reduction, liquidity and operating efficiencies, it has not affected the Ultimate Parent Undertaking's ability to provide adequate financial support for at least 12 months from the date of the audit report.

2.6 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.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.6 Current and deferred income tax (continued)

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.

2.7 Foreign currency translation

The Company's functional and presentational currency is USD.

Foreign currency transactions are translated into the functional currency using the average 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 within administrative expenses.

2.8 Investments in subsidiaries

Investments in subsidiaries are recorded at cost less accumulated impairment losses.

2.9 Impairment of non-financial assets

For non-financial assets such as investments in subsidiaries, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and 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 non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.10 Financial assets

Classification

The Company classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets from related and non-related parties with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the Balance Sheet date which are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" in the Balance Sheet.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.10 Financial assets (continued)

(ii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(iii) Impairment of financial assets carried at amortised cost

The Company assesses at each Balance Sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.11 Trade and other receivables

Trade and other receivables are amounts due from related companies for services performed in the ordinary course of business. 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 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.

2.12 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.

2.13 Borrowings

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.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.14 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. Called up share capital represents the nominal value of the shares issued.

2.15 Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

2.16 Retained earnings

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

2.17 Translation reserve

Translation reserves represent the differences recognised on translation from the Company's presentational currency from GBP to USD.

2.18 Dividends

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

Dividend income is recognised as income within the Statement of Comprehensive Income in the period in which the dividends are declared by the Company's subsidiaries.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are 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.

Judgement in applying accounting policies

The judgement 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.

Intercompany transactions

The Company determines whether transactions with other subsidiary undertakings of the Group have been conducted on an arm's length basis. These decisions involve the input of internal and external tax advisors to the Company, including analysis of comparable companies and groups who operate in similar markets to the Group.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumption 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:

Recoverability of Intercompany receivables

The Company has intercompany receivables, which are expected to be received without a discount. In assessing the recoverability of amounts owed to the Company by fellow group undertakings, Management has considered the anticipated cash flow within the wider Group and the support from the Ultimate Parent Undertaking and has deemed these balances recoverable.

Impairment of investments in subsidiaries

The Company considers indicators of impairments annually. If indicators are present, Management makes an estimate of the recoverable value of investments in subsidiaries. When assessing impairment of investments in subsidiaries, Management considers factors including current market and industry conditions and historical experience.

4. Operating (loss)/profit

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

	2020	2019
	\$'000	\$'000
Foreign exchange loss/(gain)	-	(662)
Fees payable to the Company's auditor:		
- for the audit of the Company's annual financial statements	<u>58</u>	<u>31</u>

Fees payable to the Company's auditor were settled by a company within the Group.

The Company had no employees during the years ended 31 December 2020 and 31 December 2019.

The Company's directors received no remuneration for their services to the Company for the year ended 31 December 2020 (2019: \$nil).

5. Finance expense

	2020	2019
	\$'000	\$'000
Interest payable on loans payable to group companies	<u>13,442</u>	<u>39,694</u>

The finance expense comprises of the interest charged on loan facilities entered into by the Company with various related group companies. See note 10 for details.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

6. Dividend income

	2020 \$'000	2019 \$'000
Interim dividend received from subsidiary undertaking	-	250,000

7. Income tax

	2020 \$'000	2019 \$'000
Current tax		
Adjustments in respect of prior years	-	48
Total current tax	-	48
Total tax charge for the year	-	48

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%) due to certain factors. The factors affecting the tax charge are reconciled below.

	2020 \$'000	2019 \$'000
(Loss)/profit on ordinary activities before tax	(13,506)	211,335
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(2,566)	40,154
Effects of:		
Items not deductible	72	(45,488)
Losses surrendered to group companies for nil consideration	2,494	5,334
Adjustment in respect of prior years	-	48
Total tax charge for the year	-	48

Factors that may affect future tax charges

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, as used in these financial statements. However this was further updated as part of the Chancellor's Budget announced in March 2021, whereby it was confirmed that the standard rate of corporation tax would rise to 25% from 1 April 2023.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

8. Investments

	Shares in subsidiary undertakings \$'000
Cost and net book value	
As at 1 January 2020 and 31 December 2020	<u>1,414,700</u>

All shares in the subsidiary undertaking disclosed in the table below relate to ordinary shares. The following are wholly owned subsidiary undertakings of the Company as at 31 December 2020:

<u>Subsidiary</u>	<u>Address</u>	<u>Principal business activity</u>	<u>Percentage ownership</u>
Nordic Camp Supply B.V.	Weena 505, Office 17.14, Rotterdam, 3030 AL, Netherlands	Oil trading	100%
WFS Danish Holding Company I ApS	Torvebyen 8, 1th, 4600 Koge, Denmark	Holding Company	100%

The following entities are owned by the Company's subsidiaries as at 31 December 2020:

<u>Subsidiary</u>	<u>Address</u>	<u>Principal business activity</u>	<u>Immediate parent</u>	<u>Percentage ownership</u>
Nordic Camp Supply Estonia OÜ	Harju maakond, Tallinn, Kesklinna linnaosa, Liivalaia 45, 10145, Estonia	Oil trading	Nordic Camp Supply B.V.	100
Nordic Camp Supply Aps	Strommen 6, 9400 Norresundby, Denmark	Oil trading	WFS Danish Holding Company I ApS	100

9. Trade and other receivables

	2020 \$'000	2019 \$'000
Amounts due from group undertakings	12,733	12,815
	<u>12,733</u>	<u>12,815</u>

Amounts owed by group undertakings are unsecured, non-interest bearing and are repayable on demand.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

10. Borrowings

	2020 \$'000	2019 \$'000
Non-current		
Loan facility with a related company	375,026	-
Accrued interest payable	22,830	-
	<u>397,856</u>	<u>-</u>
Current		
Loan facility with a related company	-	375,026
Accrued interest payable	-	9,388
	<u>-</u>	<u>384,414</u>
Total borrowings	<u>397,856</u>	<u>384,414</u>

On 28 August 2019, the Company entered into a loan facility with a related group company, World Fuel Services Europe, Ltd., for a principal amount of \$625,026k and a term of 12 months. The loan facility bears interest of one-year LIBOR +2.5%. On 1 November 2019, the Company repaid \$250,000k of the outstanding principal balance, leaving an outstanding principal balance of \$375,026k which remains outstanding as at the Balance Sheet date. On 28 August 2020 the Company extended the loan agreement for a further 3 years extending the repayment date to 28 August 2023. The Company has recorded an interest expense of \$13,442k (2019: \$9,388k) in the Statement of Comprehensive Income in relation to this loan. The interest and loan principal remains outstanding as at the Balance Sheet date.

11. Trade and other payables

	2020 \$'000	2019 \$'000
Income taxes payable	-	49
Accrued expenses	42	11
	<u>42</u>	<u>60</u>

12. Share capital and reserves

	2020 \$	2019 \$
Authorised, allotted, called up and fully paid		
106 (2019: 106) ordinary shares of £1 each (US\$1.80/£)	<u>191</u>	<u>191</u>

13. Controlling Party

The immediate parent undertaking is WFS UK Holding Company II Limited, a company registered 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, Miami, Florida USA 33178.

The Lubricant Company Limited

Notes to the Financial Statements (continued) For the Year Ended 31 December 2020

14. Post balance sheet events

Beginning in May 2021, the U.S. and NATO began their final withdrawal of the remaining U.S. and NATO troops in the area, which was completed by August 31, 2021. In connection therewith, the Company's investments expect to experience additional material decline in sales to NATO in Afghanistan in 2021 and future years. In connection therewith, the Company's investments expect to experience material decline in sales to NATO in Afghanistan in 2021 and future years. Based on these events, Management has assessed the affected investments for impairment as of 31 December 2020 and concluded their respective carrying amounts are recoverable as at the balance sheet date.