FOCOL HOLDINGS LIMITED

Consolidated Financial Statements
For The Year Ended July 31, 2019
And Independent Auditors' Report

Deloitte.

FOCOL HOLDINGS LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of FOCOL Holdings Limited:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of FOCOL Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at July 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at July 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverable amounts of goodwill	At 31 July 2019, the Group had recorded Goodwill of $10,858,568 (Refer to Note 11 to the consolidated financial statements). The most critical assumption in forecasting future cash flows is management's view on the expected growth rate and projection of future gross profit and expenses. In particular, the calculation of the recoverable amount for LPG Operations is sensitive to changes in the assumptions, specifically, the long-term growth rate and assumptions underlying future operating cash flows. Other key inputs include the identification of the cash generating unit, the carrying value of the cash generating unit, and the assessment of the discount rate or weighted average cost of capital.	We obtained an understanding of the Group's cash generating units and confirmed that the Group's impairment methodology was appropriate. We tested the design and implementation of controls around the preparation of the impairment model. We assessed the model to determine which factors had a greater impact on impairment. These factors (growth rate and projection of gross profit and expenses) were scrutinized for reasonableness by performing a look back analysis using past data. We further obtained an understanding for assumptions that did not correlate to past data. Where assumptions were not reasonable, we assessed the impact of changes on the impairment model. We also engaged specialists to assist with the assessment of the model and discount rate.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined the matter of most significance in the audit of the consolidated financial statements of the current period and it is therefore, the key audit matter. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Talia Albury.

Deloitte & Touche

Nassau, Bahamas
December 6, 2019

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JULY 31, 2019
(Expressed in Bahamian dollars)

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash (Note 5)	$ 30,781,718	$ 14,302,708
Term deposits (Note 5)	4,293,073	2,761,677
Accounts receivable, net (Notes 7 and 20)	33,995,014	44,271,882
Inventories (Note 6)	18,074,921	25,279,579
Prepaid expenses and sundry assets (Notes 9 and 20)	4,431,441	3,807,178
Total current assets	91,576,167	90,423,024
NON-CURRENT ASSETS:		
Property, plant, equipment and investment property, net (Note 10)	90,048,211	90,953,388
Goodwill and intangible assets (Note 11)	13,558,498	12,607,139
Investment in associate (Note 13)	16,287,997	13,025,254
Due from associate (Note 20)	143,312	38,044
Total non-current assets	120,038,018	116,623,825
TOTAL ASSETS	$ 211,614,185	$ 207,046,849

(Continued)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JULY 31, 2019
(Expressed in Bahamian dollars)

	2019	2018
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Bank overdraft (Notes 5 and 21)	$ 12,650	$ 983,427
Accounts payable and accrued liabilities (Notes 14, 20 and 21)	22,525,539	24,056,286
Dividends payable (Note 21)	2,021,070	2,033,589
Current portion of long-term debt (Notes 15 and 21)	217,748	1,610,651
Total current liabilities	24,777,007	28,683,953
NON-CURRENT LIABILITIES:		
Due to associate (Notes 20 and 21)	764,990	2,227,222
Long-term debt (Notes 15 and 21)	692,669	910,416
Total non-current liabilities	1,457,659	3,137,638
Total liabilities	26,234,666	31,821,591
EQUITY:		
Share capital (Note 16)	84,232	84,733
Treasury shares (Note 16)	(283,778)	(734,180)
Preference shares (Note 16)	500,000	500,000
Contributed capital (Note 16)	51,837,875	53,913,353
Retained earnings (Note 28)	133,241,190	121,461,352
Total equity	185,379,519	175,225,258
TOTAL LIABILITIES AND EQUITY	$ 211,614,185	$ 207,046,849

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on December 4, 2019, and are signed on its behalf by:

Director

Director

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED JULY 31, 2019
(Expressed in Bahamian dollars)

	2019	2018
REVENUE (Note 23)	$ 324,825,849	$ 318,002,171
COST OF SALES (Note 20)	(249,276,196)	(246,889,363)
Gross profit	75,549,653	71,112,808
Equity income (Notes 13 and 20)	1,762,743	1,724,299
Other income (Notes 20 and 27)	18,095	430,264
Marketing, administrative and general expenses (Notes 17, 19, 20 and 23)	(42,939,855)	(41,770,030)
Depreciation and amortization expense (Note 12)	(6,297,864)	(6,233,594)
Finance costs	(128,046)	(324,572)
Realized gain on investments (Note 8)	-	92,000
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR	$ 27,964,726	$ 25,031,175
Basic and diluted earnings per share (Note 18)	$ 0.25	$ 0.22

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED JULY 31, 2019
(Expressed in Bahamian dollars)

	Share Capital	Treasury Shares	Preference Shares	Contributed Capital	Retained Earnings	Total
Balance at July 31, 2017	$ 84,733	$ (279,285)	$ 500,000	$ 53,913,353	$ 111,631,712	$ 165,850,513
Total comprehensive income	-	-	-	-	25,031,175	25,031,175
Treasury shares purchased (Note 16)	-	(454,895)	-	-	-	(454,895)
Common share dividends: $0.11 per share (Note 16)	-	-	-	-	(12,201,535)	(12,201,535)
Preference share dividends (Note 16)	-	-	-	-	(3,000,000)	(3,000,000)
Balance at July 31, 2018, as previously reported	84,733	(734,180)	500,000	53,913,353	121,461,352	175,225,258
Adjustment on initial application of IFRS 9 (Notes 2 and 28)	-	-	-	-	(1,018,682)	(1,018,682)
Balance at July 31, 2018, as restated	84,733	(734,180)	500,000	53,913,353	120,442,670	174,206,576
Total comprehensive income	-	-	-	-	27,964,726	27,964,726
Treasury shares cancelled (Note 16)	(103)	450,402	-	(450,299)	-	-
Common shares purchased and cancelled (Note 16)	(398)	-	-	(1,625,179)		(1,625,577)
Common share dividends: $0.12 per share (Note 16)	-	-	-	-	(12,166,206)	(12,166,206)
Preference share dividends (Note 16)	-	-	-	-	(3,000,000)	(3,000,000)
Balance at July 31, 2019	$ 84,232	$ (283,778)	$ 500,000	$ 51,837,875	$ 133,241,190	$ 185,379,519

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2019
(Expressed in Bahamian dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	$ 27,964,726	$ 25,031,175
Adjustments for:		
Depreciation and amortization expense (Note 12)	6,297,864	6,233,594
Equity income from associate (Note 13)	(1,762,743)	(1,724,299)
Realized gain on investments (Note 8)	-	(92,000)
Loss on disposals of property, plant and equipment, net	35,297	-
Income from operations before working capital changes	32,535,144	29,448,470
Decrease (increase) in accounts receivable, net	9,258,186	(14,114,546)
Increase in prepaid expenses and sundry assets	(624,263)	(394,595)
Decrease (increase) in inventories	7,204,658	(9,478,496)
(Decrease) increase in accounts payable and accrued liabilities	(1,543,266)	8,583,610
Net cash from operating activities	46,830,459	14,044,443
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in term deposits	(1,531,396)	(24,426)
Capital contribution (Note 13)	(1,500,000)	-
Redemption of investment (Note 8)	-	442,500
Purchase / net movement of property, plant, equipment and investment property (Note 10)	(6,379,343)	(8,505,579)
Increase in due from associate	(105,268)	(23,174)
(Decrease) increase in due to associate	(1,462,232)	1,732,873
Net cash used in investing activities	(10,978,239)	(6,377,806)

(Continued)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2019
(Expressed in Bahamian dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	$ (1,610,650)	$ (1,859,851)
Acquisition of treasury shares (Note 16)	-	(454,895)
Repurchase of ordinary shares (Note 16)	(1,625,577)	-
Common share dividends paid	(12,166,206)	(12,201,535)
Preference share dividends paid	(3,000,000)	(3,000,000)
Net cash used in financing activities	(18,402,433)	(17,516,281)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,449,787	(9,849,644)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,319,281	23,168,925
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 30,769,068	$ 13,319,281
CASH AND CASH EQUIVALENTS IS COMPRISED OF THE FOLLOWING:		
Cash	$ 30,781,718	$ 14,302,708
Bank overdraft	(12,650)	(983,427)
	$ 30,769,068	$ 13,319,281
SUPPLEMENTAL INFORMATION:		
Interest paid on bank overdraft and loans	$ 128,046	$ 324,572
Interest received	$ 5,326	$ 4,568
NON-CASH TRANSACTION:		
Transfer of construction-in-progress to intangible assets	$ 1,614,966	$ -

(Concluded)

See notes to consolidated financial statements.

1. INCORPORATION AND ACTIVITY

FOCOL Holdings Limited is incorporated under the laws of The Commonwealth of The Bahamas. The consolidated financial statements for the year ended July 31, 2019 comprise of FOCOL Holdings Limited and its subsidiaries (together referred to as "the Group"). The Group operates through its wholly-owned subsidiaries and investment in associate as follows:

- Freeport Oil Company Limited ("FOCOL"), an exclusive supplier of petroleum products in Freeport, Grand Bahama;
- Grand Sun Investments Limited ("Grand Sun"), an operator of several service stations in the Freeport, Grand Bahama area;
- Grand Bahama Terminals Limited, an operator of storage facilities in Lewis Yard, Grand Bahama;
- GAL Terminal Limited, an operator of service stations in Eight Mile Rock and Lewis Yard, Grand Bahama;
- Sun Services Limited, a land-owning entity;
- O.R. Services Limited, an operator of several service stations in New Providence;
- Freeport Oil Holdings Investments Limited ("FOHIL") and its wholly-owned subsidiaries, Sun Oil Limited ("Sun Oil"), a wholesaler of fuel and related products operating in The Bahamas, and Sun Oil Turks and Caicos Limited ("Sun Oil – TCI"), a wholesaler of fuel and related products operating in the Turks and Caicos Islands. Sun Oil also operates through its 60% voting interest in BTCI Tankers Limited ("BTCI") (an associate), a company engaged in shipping petroleum products throughout The Bahamas and Turks and Caicos Islands;
- Sun Oil Aviation Limited, a partner in a Joint Operation which conducts fuel supply operations at the Lynden Pindling International Airport ("LPIA");
- Sun Marine Limited, a company to develop marine shipping business at a later date;
- Boulevard Services Limited ("Boulevard"), an operator of a service station in Freeport, Grand Bahama;
- Sun Utilities Company Limited, a company developed to provide utility services at a later date;
- Atlantic International Supply & Trading Limited ("AIST"), a wholesaler of petroleum products; and
- Atlantic International Supply & Trading Limited ("AIST-TCI"), a wholesaler of petroleum products.

The Group's subsidiaries are incorporated in the Commonwealth of The Bahamas, excluding BTCI, AIST-TCI and Sun Oil-TCI, which are incorporated under the laws of the Turks and Caicos Islands.

The registered office of the Group is located in the chambers of Dupuch & Turnquest, Attorneys-at-Law on Dowdeswell Street, New Providence.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted a number of new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on August 1, 2018. The adoption of the following standards and interpretations has led to changes in the Group's accounting policies.

IFRS 9	Financial Instruments: Classification and Measurement (amendments)
IFRS 15	Revenue from Contracts with Customers

The adoption of these Standards and interpretations are assessed below.

IFRS 9 Financial Instruments: Classification and Measurement (amendments)

The Group adopted IFRS 9, Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS that are effective for annual periods beginning on or after January 1, 2018. The Group adopted IFRS 9 using the modified retrospective approach, with an initial application date of August 1, 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, financial assets are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: (i) the Group's business model for managing the assets; and (ii) the contractual cash flow characteristics of the financial assets. The assessment of the Group's business model for each group of financial assets was made as of the date of initial application on August 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Cash and cash equivalents, term deposits and accounts receivable previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortized cost beginning August 1, 2018.

The table below reconciles the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets at August 1, 2018.

	Note	*Original classification under IAS 39*	*New classification under IFRS9*	*Original carrying amount under IAS 39*	*New carrying amount under IFRS 9*
Cash and cash equivalents	5	Loans and receivables	Amortized Cost	14,302,708	14,302,708
Term deposits	5	Loans and receivables	Amortized Cost	2,761,677	2,761,677
Accounts receivable, net	7	Loans and receivables	Amortized Cost	45,290,564	44,271,882

There were no differences between the carrying amounts of financial assets under IAS 39 and IFRS 9 on transition to IFRS 9 on August 1, 2018, except for the effect of transition adjustment on accounts receivable amounting to $1,018,682.

There were no changes in classification and measurement of the Group's financial liabilities. All financial liabilities were classified as amortized costs from other financial liability classifications.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses mainly for accounts receivable by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group is required to apply the "Simplified Approach" under IFRS 9, in calculating ECLs for accounts receivable using a "Provision Matrix." Accounts receivables are segmented based on the customer type, credit risk, and aging buckets. The provision matrix is based on the Group's historical observed default and probability of default. On an annual basis, the Group analyzes and updates the historical observed default rates with forward-looking information such as inflation, GDP growth rates, and commodity prices.

<u>IFRS 15: Revenue from Contracts with Customers</u>

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 *Revenue*, IAS 11, *Construction Contracts* and IFRIC 13, *Customer Loyalty Programs.*

The objective of this standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue when performance obligations are satisfied. In certain instances, transfer of assets that are not related to the entity's ordinary activities will also be required to follow some of the recognition and measurement requirements of the new model. The standard also expands current disclosure requirements.

The Group applied IFRS 15 using the modified retrospective method. The application of IFRS 15 did not result in any material changes in the Group's accounting policies for revenue recognition on the transition from IAS 18 to IFRS 15.

The adoption of the following standards and interpretations has not led to any changes in the Group's accounting policies.

IAS 28	Investments in Associates (amendments)
IAS 40	Investment Property (amendments)
IFRS 1	First-time Adoption of International Financial Reporting Standards (amendments)
IFRS 2	Share Based payment (amendments)
IFRS 4	Insurance Contracts (amendments)
IFRS 7	Financial Instruments: Disclosures

<u>Accounting Standards and Interpretations not yet effective</u>

At the date of authorization of these consolidated financial statements, the following relevant Standards were issued but not yet effective:

IFRS 3	Business Combinations (amendments)
IFRS 7	Financial Instruments: Disclosures (amendments)
IFRS 9	Financial Instruments (amendments)
IFRS 11	Joint Arrangements (amendments)
IFRS 16	Leases
IFRS 17	Insurance Contracts
IAS 1	Presentation of Financial Statements (amendments)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (amendments)
IAS 12	Income Taxes (amendments)
IAS 19	Employee Benefits (amendments)
IAS 23	Borrowing Costs (amendments)
IAS 28	Investments in Associates and Joint Ventures (amendments)
IAS 39	Financial Instruments: Recognition and Measurement (Amendments)

The Directors anticipate that the Group will adopt these Standards in the relevant future periods, but have not yet assessed the potential impact of the adoption of these Standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Statement of compliance*** - The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the interpretations adopted by the IASB, applied on a consistent basis for all years presented.

b. ***Basis of preparation*** - The consolidated financial statements include the Group and its wholly-owned subsidiaries, and have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately.

c. ***Basis of consolidation*** - The consolidated financial statements incorporate the financial statements of the Group, entities (including structured entities) controlled by the Group and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies.

All inter-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

d. ***Cash and cash equivalents*** - Cash and cash equivalents comprise cash balances, call and short-term deposits with original contractual maturities of three (3) months or less, and subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

e. ***Term deposits*** - Term deposits comprise of bank deposits with original maturities greater than three (3) months.

f. ***Accounts receivable*** - Accounts receivable are stated at cost less allowance for expected credit losses (Note 7) and any impairment losses (Notes 3 (j) and (k)).

g. ***Prepayments and other assets* -** Prepayments and other assets consist primarily of costs paid for future services occurring within a year. These costs include insurance, business license and real property tax fees which are being amortized over the terms of their respective agreements or period, respectively. Security deposits exists with Governmental agencies and private entities and are recognized in the consolidated statement of financial position as 'other assets.'

h. ***Inventories*** - Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of selling expenses.

Cost of inventories is based on the first-in, first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

i. ***Property, plant, equipment and investment property*** - Property, plant, equipment and investment property are stated at cost less accumulated depreciation and impairment losses (see Note 3(j)). Maintenance, repairs and minor costs are expensed as incurred.

Major repairs and improvements which substantially extend the useful life of the assets are capitalized. Upon sale or other disposition of assets, the cost and the related depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in income. Commencing the month following acquisition or when the asset is placed in service, depreciation of property, plant, equipment and investment property is recorded on the straight-line basis with the following rates of depreciation:

Buildings and improvements	3.9 - 2.5%
Equipment	12.5 - 20%
Computer, furniture, fixtures and fencing equipment	20 - 33.3%
Storage facilities	3.9 - 5%
Vehicles	20%
Liquid petroleum gas plant	5%

j. ***Impairment*** - Property, plant, equipment, investment property and intangible assets are reviewed at the date of each consolidated statement of financial position to determine whether there is objective evidence of impairment. If any such indications exist, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Property, plant, equipment and investment property

An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Intangible assets

Goodwill and indefinite life intangibles are tested for impairment on an annual basis. Determining whether goodwill and intangibles are impaired requires an estimation of the value in use of the asset or cash-generating units to which such assets have been allocated.

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the asset or cash-generating unit and a suitable discount rate in order to calculate present value.

Intangible assets with finite useful lives are assessed for impairment when there is an impairment indicator. Amortization is recorded on a straight-line basis over the useful life of the asset.

k. Financial instruments

Initial recognition, subsequent measurement, and impairment effective August 1, 2018

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

Initial recognition, classification and measurement

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income (FVTOCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

At July 31, 2019, the Group's financial assets at amortized cost includes cash, term deposits, and accounts receivable, net and due from associate.

The Group does not have financial assets at FVTOCI or at FVTPL.

Reclassification

When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

Impairment

At each reporting date the Group assesses the allowance for expected credit losses (ECLs) for financial assets at amortised cost.

Under IFRS 9, the Group is required to measure expected credit losses of a financial instrument in a way that reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(ii) the time value of money; and
(iii) reasonable and supportable assumptions that are available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group always recognizes lifetime ECL for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Accounts receivables are segmented based on customer type, credit risk and ageing buckets.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the financial asset.

Financial Liabilities

Initial recognition, classification and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include bank overdrafts, accounts payable and accrued liabilities, and long-term debt.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has no financial liabilities held for trading and has not designated any financial liabilities at fair value through profit or loss.

- Financial liabilities at amortized cost

  After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. This category applies to bank overdrafts, accounts payable and accrued liabilities, and long-term debt.

Derecognition

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.

Initial recognition, subsequent measurement, and impairment applicable prior to August 1, 2018

Financial Assets

Initial recognition, classification and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Transaction costs in respect of financial assets and liabilities at fair value through profit and loss are expensed immediately.

Subsequent measurement

Subsequent to the initial recognition, financial assets classified as loans and receivables are carried at amortized cost using the effective interest rate method, less a provision for impairment losses.

Accounts receivable, which generally have 30-day terms, are recognized and carried at the original invoice amount less an allowance for impairment. An allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

At July 31, 2018, the Group's financial assets included cash and cash equivalents, term deposits, accounts receivable and due from associate, which are all classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables from affiliated companies are recognized and carried at the original invoice amount.

Impairment

A financial asset measured at amortized cost is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying amount, and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Financial assets measured at amortized cost are tested for impairment on an individual basis and impairment losses are reflected in an allowance account against accounts receivable and are recognized in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized and is reversed through profit or loss.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset.

Financial Liabilities

Initial recognition, classification and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

The other financial liabilities measured at amortized cost are recognized initially at fair value less directly attributable transaction costs. In the case of financial liabilities at fair value through profit or loss, directly attributable costs are recognized in profit or loss as incurred.

Issued financial instruments or their components, which are not designated as at FVTPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Subsequent measurement

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate.

As of July 31, 2018, the Group's other financial liabilities measured at amortized cost include the bank overdraft, accounts payable and accrued liabilities, and long-term debt. The Group has not designated any financial liability at fair value through profit or loss.

Derecognition

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.

l. ***Leases*** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

m. ***Repurchase of shares*** - When share capital recognized as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a reduction of equity. Pursuant to Section 45 of the Companies Act, 1992 all common shares purchased are cancelled.

n. ***Accounts payable and accrued liabilities*** - Accounts payable and accrued liabilities are measured at cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

o. ***Dividends*** - Dividends are recognized as a liability in the period in which they are declared.

p. ***Revenue recognition*** - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns, rebates and other similar allowances.

Products sold

The majority of the Group's revenue is generated by the sale and delivery of products to customers. The product portfolio of the Group mainly consists of motor gasoline, diesel, propane and lubricants.

Revenue is recognized by the Group when control over the products has been transferred, at which point its performance obligation has been fulfilled to the customer. For product sales, control is transferred either at delivery of the products or upon pickup by the customer from the Group's premises. Revenue recognized is based on the price specified in the contract, net of returns, discounts, and value added tax.

Services rendered

Revenue from services is recognized in the consolidated statement of profit or loss when the services are rendered. Services include tank rentals, management of supply and distribution for third parties, provision of berthing facilities and transportation fees.

Interest and dividends

Revenue from interest and dividend income are included in other income in the consolidated statement of comprehensive income. Interest income is recognized using the effective interest method, and dividend income is recognized when the shareholder's right to receive payment is established.

q. ***Employee benefits*** - The Group maintains defined contribution plans covering all eligible fulltime employees. Contributions to the plan are based on salaries. Obligations for pension plans are recognized as an expense in the consolidated statement of comprehensive income as incurred.

r. ***Provisions*** - A provision is recognized in the consolidated statement of financial position when the Group has a present and legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

s. ***Business combinations*** - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the consolidated statement of comprehensive income.

t. ***Foreign currency translation*** - The Group's functional currency is Bahamian dollars. In preparing the consolidated financial statements of the Group, transactions in currencies other than Bahamian dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At the date of each consolidated statement of financial position, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

u. ***Classification*** - Assets are classified as current when intended for sale or consumption in the normal operating cycle, or held primarily for the purpose of being traded, or expected to be realized within twelve months, or classified as cash or cash equivalents. All other assets are classified as non-current. Liabilities are classified as current when expected to be settled in the normal operating cycle, or held primarily for the purpose of being traded, or due to be settled within twelve months, or there are no unconditional rights to defer settlement for at least twelve months. All other liabilities are classified as non-current.

v. ***Segment reporting*** - A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

w. ***Investment in associate*** - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies and is typically evidenced by voting rights more than 20%.

The results and assets and liabilities of associates are recognized in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses.

Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

x. ***Related parties*** - Related parties are defined as follows:

i. Controlling shareholders;
ii. Subsidiaries;
iii. Associates;
iv. Individuals owning, directly or indirectly, an interest in the voting power that gives them significant influence over the enterprise, i.e. normally more than 20% of shares (including close family members of such individuals);
v. Key management personnel - persons who have authority for planning, directing and controlling the enterprise and close family members of such individuals; and
vi. Enterprises owned or which are controlled by the individuals described in (i), (iv) and (v).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the entity's accounting policies - In the process of applying the Group's accounting policies, which are described above, judgments made by management that have the most significant effect on the amounts recognized in the consolidated financial statements are discussed in the relevant notes below.

Key sources of estimation uncertainty - critical accounting estimates - The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting the Group's consolidated financial statements and related disclosure must be estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A critical accounting estimate is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

a. ***Impairment*** - The Group has made significant investments in tangible and intangible assets. These assets and investments are tested for impairment either annually or when circumstances indicate there may be potential impairment. Factors considered important which could trigger an impairment review include the following: (i) significant fall in market values; (ii) significant underperformance relative to historical or projected future operating results; (iii) significant changes in the use of the assets or the strategy for the overall business, including assets on which a decision has been made to phase out or replace and also assets that are damaged or taken out of service; (iv) significant negative industry or economic trends; (v) and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets of companies must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

b. ***Investment in associate*** - In accordance with the provisions of IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investment in Associates*, the Group assessed whether or not it has control over BTCI Tankers Ltd. ("BTCI"), based on practical ability to direct the relevant activities of BTCI unilaterally. The Group owns 60% voting and equity interest in BTCI with Marine Tankers Services AS ("MTS") having 40% voting and equity interest. In making their judgment, the Group considered that the relevant activities of BTCI are controlled through the management agreement with Marine Management LLC ("MML"), a subsidiary of MTS. Given the nature and terms of the management agreement, it was determined that the relationship was established whereby MTS is a principal acting on its behalf as described in IFRS 10. Therefore, it was determined that the Group does not have control as they do not have the ability to direct the relevant activities, thereby making BTCI an investment in associate.

c. ***Provision for bad debts*** - Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

5. CASH AND CASH EQUIVALENTS

FOHIL has short-term deposits with local banks totaling $309,158 (2018: $309,158), with interest rates ranging from 1% to 1.50% (2018: 1.50%) per annum.

FOHIL has an overdraft facility up to $7,500,000 (2018: $7,500,000) with a local bank which bears interest at Bahamas Prime plus 1.00% or 5.25% (2018: Bahamas Prime plus 1.00% or 5.25%) per annum; at July 31, 2019, the balance was $12,650 (2018: $983,427). The overdraft is secured by a guarantee and postponement of claim by the Group, a fixed charge over FOHIL's assets, and assignment of insurance proceeds.

FOCOL has an available loan facility of $5,000,000 which earns interest at Prime plus 0.25% or 4.5%. The Group did not utilize the available loan facility during the year.

FOCOL has available to it, an overdraft facility of $2,500,000 (2018: $2,500,000). This overdraft facility bears interest at Bahamas Prime plus 1.00% or 5.25% (2018: Bahamas Prime plus 1.00% or 5.25%) per annum; at July 31, 2019, the balance was $Nil (2018: $Nil). The overdraft facility is secured by a guarantee and postponement of claim for $3,000,000 (2018: $3,000,000) from the Group, which is supported by the usual directors' resolution, as well as a fixed and floating charge debenture over the assets of FOCOL and all risk insurance with loss payable to RBC Royal Bank (Bahamas) Limited, including appropriate insurance of the Group's oil tank farm, stamped to secure $6,000,000.

Boulevard has available to it, an overdraft facility of $100,000 (2018: $100,000). This overdraft facility bears interest at Bahamas Prime plus 1.00% (2018: Bahamas Prime plus 1.00% or 5.25%) per annum; at July 31, 2019, the balance was $Nil (2018: $Nil).

AIST-TCI established a term deposit of $1,500,000 (2018: $Nil) with a Bank in the Turks & Caicos Islands as cash security for a standby letter of credit for a Supplier. The term deposit is for a period of one year commencing October 18, 2018 at an annual interest rate of 0.07%.

6. INVENTORIES

Inventories consist of the following:

	2019	2018
Gasoil - diesel	$ 9,740,213	$ 14,138,831
Gasoline - unleaded	3,600,841	5,152,997
Lube oil	2,085,936	2,641,079
Propane	1,071,983	2,151,429
Other	974,037	671,300
Jet fuel	326,315	324,770
Parts and tanks	275,596	199,173
	$ 18,074,921	$ 25,279,579

(Continued)

Management has determined that no allowance for obsolete inventory is necessary. During the year, inventories totaling $28,831 (2018: $48,252) were recognized as an expense in the consolidated statement of comprehensive income, as a result of inventory write-downs.

(Concluded)

7. ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the following:

	2019	2018
Accounts receivable - trade	$ 35,267,325	$ 44,241,309
Other receivables	1,805,732	2,219,651
	37,073,057	46,460,960
Less: allowance for doubtful accounts	(3,078,043)	(2,189,078)
	$ 33,995,014	$ 44,271,882

The movement in allowance for doubtful accounts is as follows:

	2019	2018
At beginning of year (IAS 39)	$ 2,189,078	$ 1,617,158
Adjustment on application of IFRS 9	1,018,682	-
Bad debts for the year (IFRS 9)	415,175	738,327
Write offs	(544,892)	(166,407)
At end of year	$ 3,078,043	$ 2,189,078

The Group writes-off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Sensitivity Analysis - Allowance for Expected Credit Loss (ECL)

The Group's calculation of the allowance for ECL is sensitive to changes in inflation, GDP growth rates and commodity prices. A change in the ECL rate by one (1) percent of the total outstanding accounts receivable balance at July 31, 2019 can result in an increase or decrease in the allowance for ECL by $368,876.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Based on the provision matrix, the Group has determined an ECL rate of 0.6% - 75% which has been applied to the various buckets.

(Continued)

The ageing of receivables is as follows:

		2019		2018
Current	$	26,458,997	$	28,775,852
31 - 60 days		2,008,060		4,440,187
61 - 90 days		1,535,764		1,145,914
Over 90 days		7,070,236		12,099,007
	$	37,073,057	$	46,460,960

Included in accounts receivable are balances totaling $7,536,017 (2018: $15,496,030) which are past due but not impaired.

(Concluded)

8. INVESTMENTS

During the prior year, the majority shareholder acquired all remaining outstanding ordinary shares of ICD Utilities Limited. The Group held 50,000 ordinary shares with a market value of $350,500 on the redemption date. The Group received a cash payment of $442,500 and recorded a realized gain of $92,000 on the disposal.

9. PREPAID EXPENSES AND SUNDRY ASSETS

Prepaid expenses include advances and other deferred expenses of $1,358,632 (2018: $1,302,436) to be fully amortized during the subsequent fiscal year.

Sundry assets include deferred costs of $2,260,368 (2018: $1,688,534) on an insurance policy with a related party, in-force to March 2020 (2018: March 2019).

10. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY, NET

The movement of property, plant, equipment and investment property during the year is as follows:

	Land	Buildings and Improvements	Equipment	Computer, Furniture, Fixtures and Fencing Equipment	Storage Facilities	Vehicles	Liquid Petroleum Gas Plant	Construction In-Progress	Total
COST/VALUATION:									
Balance at July 31, 2017	$ 20,545,634	$ 30,544,217	$ 12,181,085	$ 2,775,837	$ 48,360,471	$ 7,501,999	$ 726,295	$ 12,924,506	$ 135,560,044
Net movement	1,829,996	(1,378,662)	11,067,772	1,266,657	(2,971,096)	641,518	-	(1,950,606)	8,505,579
Balance at July 31, 2018	22,375,630	29,165,555	23,248,857	4,042,494	45,389,375	8,143,517	726,295	10,973,900	144,065,623
Additions	-	10,321	342,970	21,982	425,066	676,655		4,902,349	6,379,343
Disposals and transfers in (out)	-	536,458	1,398,118	109,262	4,508,153	1,164,787	-	(9,439,523)	(1,722,745)
Balance at July 31, 2019	$ 22,375,630	$ 29,712,334	$ 24,989,945	$ 4,173,738	$ 50,322,594	$ 9,984,959	$ 726,295	$ 6,436,726	$ 148,722,221
ACCUMULATED DEPRECIATION:									
Balance at July 31, 2017	$ -	$ 8,929,849	$ 9,033,509	$ 2,744,455	$ 20,633,242	$ 5,394,149	$ 726,295	$ -	$ 47,461,499
Depreciation	-	662,630	4,576,519	269,626	(247,942)	389,903	-	-	5,650,736
Balance at July 31, 2018	-	9,592,479	13,610,028	3,014,081	20,385,300	5,784,052	726,295	-	53,112,235
Depreciation	-	754,816	1,332,742	294,225	2,686,448	566,026	-	-	5,634,257
Disposals	-	(8,828)	(738)	(58,929)	-	(3,987)	-	-	(72,482)
Balance at July 31, 2019	$ -	$ 10,338,467	$ 14,942,032	$ 3,249,377	$ 23,071,748	$ 6,346,091	$ 726,295	$ -	$ 58,674,010
CARRYING VALUE:									
As at July 31, 2019	$ 22,375,630	$ 19,373,867	$ 10,047,913	$ 924,361	$ 27,250,846	$ 3,638,868	$ -	$ 6,436,726	$ 90,048,211
As at July 31, 2018	$ 22,375,630	$ 19,573,076	$ 9,638,829	$ 1,028,413	$ 25,004,075	$ 2,359,465	$ -	$ 10,973,900	$ 90,953,388

During the current year, the Group transferred computer software totaling $1,614,966 to intangibles.

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	2019	2018
Goodwill	$ 10,858,568	$ 10,858,568
Intangible assets	2,699,930	1,748,571
	$ 13,558,498	$ 12,607,139

Goodwill

Goodwill consists of the following:

	2019	2018
Goodwill, G.A.L. Terminal Limited	$ 3,808,514	$ 3,808,514
Goodwill, Shell Propane Plant	3,285,419	3,285,419
Goodwill, Boulevard Services Limited	3,116,881	3,116,881
Goodwill, Grand Bahama Terminals Limited	647,754	647,754
	$ 10,858,568	$ 10,858,568

Allocation of goodwill to cash-generating units:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- *Petroleum operations* - wholesale sales of petroleum and petroleum products, lubricating oils and greases and all other petroleum derivatives, the construction and operations of filling stations and the provision of bunkering services in Grand Bahama. Goodwill allocated to this cash generating unit totaled $7,573,149 (2018: $7,573,149).

- *LPG operations* - distribution, wholesale and retail sales of propane in Grand Bahama. Goodwill allocated to this cash generating unit totaled $3,285,419 (2018: $3,285,419).

Petroleum Operations - Supply of petroleum products

Goodwill arose during 2006 and 2013 when the Group acquired Texaco Service Stations in Lewis Yard and Eight Mile Rock, and Boulevard Services Limited in Freeport, Grand Bahama, respectively. The recoverable amount of this cash-generating unit is determined based on value-in-use calculations which uses cash flow projections based on financial budgets covering a five-year period, and discount rate of 11% per annum (2018: 11%).

Cash flow projections during the budgeted period are based on consistent gross margins throughout the budgeted period. The cash flows were projected over the 5-year discrete period based on a growth rate of 2% (2018: 2%) per annum. The annual growth rate is estimated by management based on the annual GDP growth rate adjusted for any entity specific considerations. The Directors assessed the key assumption and concluded that reasonable changes in the key assumptions described would not cause the aggregate carrying value to exceed the aggregate recoverable amount resulting in an impairment of the goodwill.

LPG Operations - Supply of propane

Goodwill arose during 2005 with the acquisition of the Shell Propane Plant in Grand Bahama. The recoverable amount of this cash-generating unit is determined based on a value-in-use calculation which uses financial budgets covering a five-year period, and a discount rate of 14% (2018: 14%) per annum. The business has continued to operate on a satisfactory basis, but without achieving any significant increase in market share because it remains the only supplier of the product.

Cash flow projections during the budgeted period are based on consistent gross margins throughout the budgeted period. The cash flows were projected over the 5-year discrete period based on an annual growth rate of 2% (2018: 1%) per annum. The annual growth rate is estimated by management based on the annual GDP growth rate adjusted for any entity specific considerations. The growth rate is sensitive to changes in revenues. A negative growth rate of less than 0.5% can result in an impairment of goodwill.

Intangible assets

Intangible assets consist of the following:

	2019	2018
Trademark license	$ 4,080,000	$ 4,080,000
Computer software	1,614,966	-
Less: accumulated amortization	(2,995,036)	(2,331,429)
	$ 2,699,930	$ 1,748,571

Shell Brands International AG is one of the Shell Overseas Holdings Limited ("SOHL") Group of Companies whose primary responsibility is to maintain the Shell Brand Trademarks in all relevant jurisdictions. Upon purchasing Shell Bahamas Limited, the Group paid an initial license fee of $4,080,000 and pays quarterly royalties on American gallons sold from authorized sites. The agreement provides the Group with a non-exclusive license to continue the use of the Shell Brand Visual Manifestations at authorized sites.

The Group entered into an initial Trademark License Agreement with SOHL which expired January 15, 2011. Effective July 2012, the agreement was renewed for a further five (5) years with revised royalty rates. "The Parties may at any time extend the License term for a further period of five (5) years on the same commercial terms as at the commencement date or otherwise."

Management reviewed the useful life assessment and subsequently determined that the Trademark License has a finite useful life equal to the remaining life of the contract with the exercised option. As a result, the Trademark License is being amortized over a period of seven years, commencing August 2014. Management has assessed and have not identified any impairment events that would trigger impairment testing of the trademark during the year.

The value of the initial license fee was determined by SOHL and purportedly represents the proportionate value added to the business as a result of SOHL's global efforts to distinguish itself and promote its products over those of its competitors.

Computer software

On November 1, 2018, the Group completed the installation of various industry specific computer software to improve operational efficiency and customer service. The computer software has an estimated useful life of fifteen (15) years and amortization expense for the year was $80,749.

12. DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense consists of the following:

	2019	2018
Depreciation of property, plant and equipment	$ 5,634,257	$ 5,650,736
Amortization of trademark license and computer software	663,607	582,858
	$ 6,297,864	$ 6,233,594

13. INVESTMENT IN ASSOCIATE

Investment in associate consist of the following:

	Interest Held	2019	2018
BTCI Tankers Ltd.	60.00%	$ 16,287,997	$ 13,025,254

Total movement in investment in associate is as follows:

	2019	2018
Balance, beginning of year	$ 13,025,254	$ 11,300,955
Capital contribution	1,500,000	-
Equity income	1,762,743	1,724,299
Balance, end of year	$ 16,287,997	$ 13,025,254

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2019	2018
Trade payables	$ 15,557,209	$ 21,505,532
Accrued liabilities	6,968,330	2,550,754
	$ 22,525,539	$ 24,056,286

15. LONG-TERM DEBT

Long-term debt consists of the following:

	2019	2018
Note payable	$ 910,417	$ 1,115,514
Bank loan	-	1,405,553
	910,417	2,521,067
Less: current portion	217,748	1,610,651
	$ 692,669	$ 910,416

The loan facility of $20 million was entered into on September 30, 2014 at an interest rate of Bahamas Prime Plus 0.25% or 5.00%, with a 10-year term commencing one year after the initial drawdown, and monthly payments of $138,889 (2018: $138,889).

At year end, drawdowns totaled $15 million (2018: $15 million) with the first payment effective October, 2015. The bank loan was repaid in full during the current year.

The note payable of $2,000,000 (2018: $2,000,000) is unsecured at an interest rate of 6.00% over a 10-year term, repayable in monthly installments of $22,204 (2018: $22,204).

16. SHARE CAPITAL

	2019	2018
Common Shares		
Authorized:		
480,000,000 shares of $.0008 each (2018: 480,000,000 shares of $.0008 each)	$ 400,000	$ 400,000
Issued and fully paid:		
100,968,529 shares of $.0008 each (2018: 101,465,863 shares of $.0008 each)	$ 84,232	$ 84,733

The movement in issued shares during the year is as follows:

	2019	2018
Balance at beginning of year	101,465,863	33,865,281
Stock split (3:1)	-	67,730,562
Common shares purchased during the year	(497,334)	(129,980)
Balance at end of year	100,968,529	101,465,863

Common shares purchased during the year is comprised of the following:

Repurchase Date	Total Shares	Price Per Share	Total Consideration	Cancellation Date
February 27, 2019	425,334	$ 3.24	$ 1,390,857	February 21, 2019
February 27, 2019	72,000	3.23	234,720	February 21, 2019
	497,334		$ 1,625,577	

Common share dividends are made payable to shareholders of record as at October 31, January 31, April 30 and July 31 of each year within 10 business days of the record date or such other period as stipulated by the Directors from time to time. The Group declared a special dividend to common shareholders on record, made payable on December 11, 2019.

Treasury shares

During the year, the Group acquired and cancelled 497,334 (2018: 129,980) of its own common shares at a total cost of $1,625,577 (2018: $454,895) and as such, these shares are not reflected in treasury shares. The Group intends to reissue the balance at a later date under an employee share option plan. The prior year common share amounts have been recorded as a deduction from equity and the shares are held as 'treasury shares' with the Group cancelling 128,630 treasury shares acquired during the prior year on October 11, 2018.

Stock split

The Group approved a three-for-one stock split for all ordinary shares with a record date of September 7, 2017 and an effective date of September 14, 2017. After the stock split, the authorized ordinary shares of the Group was 480,000,000 of which 101,594,493 shares were issued.

	2019	2018
Preference Shares		
Authorized:		
Class A shares of $.01 each	25,000,000	25,000,000
Class B shares of $.01 each	15,000,000	15,000,000
Class C shares of $.01 each	10,000,000	10,000,000
Additional authorized shares	70,000,000	70,000,000
	120,000,000	120,000,000
120,000,000 shares of $.01 each (2018: 120,000,000 shares of $.01 each)	$ 1,200,000	$ 1,200,000
Issued and fully paid:		
Class A shares of $.01 each	25,000,000	25,000,000
Class B shares of $.01 each	15,000,000	15,000,000
Class C shares of $.01 each	10,000,000	10,000,000
	50,000,000	50,000,000
50,000,000 shares of $.01 each (2018: 50,000,000 shares of $.01 each)	$ 500,000	$ 500,000

The movement in issued preference shares during the year is as follows:

	2019	2018
Balance at beginning of year	50,000,000	50,000,000
Issued and fully paid during the year	-	-
Balance at end of year	50,000,000	50,000,000

Key attributes of the preference shares are as follows:

a. ***Refunding provision*** - The Group reserves the right to retire these securities at any date, if it is deemed to be in the Group's best interest, providing 90 days' notice by way of a refunding issue. In the case of such refunding, investors would have first right of refusal to subscribe for an equivalent amount of the principal value of new securities in any such refunding issue.

b. ***Dividends*** - Preference share dividends at the annual rate of The Bahamas Prime Lending Rate plus 1.75% on the principal value outstanding to shareholders of record as at the record date (if declared) are paid in semi-annual cash installments following declaration by the Board of Directors in their full discretion. Effective January 3, 2017, the Bahamas Prime Lending Rate changed to 4.25% resulting in an effective rate of 6.00%. Unpaid dividends are cumulative from the date of the last dividend payment or from the date of issuance, whichever is later. Preference share dividends declared are made payable to shareholders of record as at April 15, June 30, October 15 and December 31 of each year within 10 business days of the record date in the full discretion of the Board of Directors.

c. ***Liquidation preference*** - If the Group liquidates, dissolves, winds up or sells more than 51% of the value of the Group's assets other than in the ordinary course of the Group's business, holders of Preference Shares will have the right to have their shares redeemed at the issue price of B$1.00 per share of the residual outstanding principal value on the effective date of liquidation.

d. ***Ranking*** - The Class A, Class B and Class C Preference Shares rank equally, and with respect to the payment of dividends and payments upon liquidation: (1) senior to the Group's Common Shares and (2) subordinate to any debentures, debt obligations, or vendor claims against the Group.

e. ***No equity ownership or voting rights*** - Holders of Preference Shares do not have equity ownership nor voting rights.

Contributed capital

Total contributed capital is comprised of:

	2019	2018
Common shares	$ 2,337,875	$ 4,413,353
Preference shares	49,500,000	49,500,000
	$ 51,837,875	$ 53,913,353

17. MARKETING, ADMINISTRATIVE AND GENERAL EXPENSES

Marketing, administrative and general expenses are comprised of:

	2019	2018
Salaries and benefits	$ 14,898,241	$ 14,964,983
Shipping and delivery	5,802,469	6,595,225
Repairs and maintenance	4,930,598	3,879,001
Insurance	3,805,411	3,312,387
License registrations	3,125,096	2,840,731
Trademark and related fees	2,360,057	2,066,798
Utilities	1,319,471	1,254,006
Rent	1,163,725	1,128,197
Professional fees	1,162,730	898,048
Advertising	1,029,489	992,808
Miscellaneous	761,369	1,042,636
Communications	485,178	498,620
Bad debts	415,175	738,327
Fuel inspection	405,037	433,933
Travel expenses	308,223	232,810
Office expenses	285,756	194,034
Bank charges	191,480	177,929
Donations	157,107	139,670
Customer service	135,843	166,487
Consulting fees	99,000	115,000
Non-executive Directors' fees	98,400	98,400
	$ 42,939,855	$ 41,770,030

18. EARNINGS PER SHARE

The calculation of basic earnings per share at July 31, 2019 was based on net comprehensive income attributable to ordinary shareholders of the Group totaling $24,964,726 (2018: $22,031,175) and weighted average number of ordinary shares outstanding during the year ended July 31, 2019 of 101,254,666 (2018: 101,305,722), are calculated as follows:

	2019	2018
Net and comprehensive income	$ 27,964,726	$ 25,031,175
Dividends paid on preference shares	(3,000,000)	(3,000,000)
Net comprehensive income attributable to ordinary shareholders of the Parent company	$ 24,964,726	$ 22,031,175
Weighted average number of ordinary shares, end of year	101,254,666	101,305,722
Basic and diluted earnings per share	$ 0.25	$ 0.22

19. PENSION PLANS

The Group through its subsidiaries, has two (2) (2018: 2) separate defined contribution plans covering all eligible full-time employees. Contributions are based on employee salaries and are matched by the subsidiaries up to 5% (2018: 5%). Employer contributions vest after five years. The plans are administered by independent third parties. Combined contributions for the year for both plans were $474,766 (2018: $884,713).

20. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances and transactions were as follows:

	2019	2018
Related party balances:		
Accounts receivable	$ 263,507	$ 117,710
Prepaid expenses and sundry assets	$ 1,996,623	$ 276,978
Due from associate	$ 143,312	$ 38,044
Accounts payable and accrued liabilities	$ 1,325,910	$ 1,899,601
Due to associate	$ 764,990	$ 2,227,222
Related party transactions:		
Other income	$ -	$ 412,444
Equity income	$ 1,762,743	$ 1,724,299
Shipping and delivery	$ 5,282,446	$ 5,999,057
Cost of sales	$ 7,319,010	$ 2,957,762
Non-executive Directors' fees	$ 98,400	$ 98,400
Insurance premiums	$ 3,667,056	$ 3,312,387
Professional fees	$ 254,610	$ 443,485
Compensation of key management personnel:		
Salaries and short-term benefits	$ 2,457,133	$ 2,791,403
Post employment benefits	331,920	318,750
Consulting fees	99,000	115,000
	$ 2,888,053	$ 3,225,153

The balance due from/to associate is unsecured and interest free with no fixed terms of repayment.

21. FINANCIAL INSTRUMENTS

The Group is exposed to various risks including interest rate risk, credit risk, liquidity risk, capital risk, currency risk and fair value of financial assets and liabilities risk arising in the normal course of the Group's business activities. Management monitors the financial risks of the Group and takes such measures as considered necessary from time to time, to minimize such financial risks.

a. Interest rate risk

The Group is exposed to interest rate risk on short-term deposits and long-term debt. Management monitors interest rates to minimize the gap between interest rates, however, such instruments bear interest at adjustable rates thus limiting interest rate risk.

b. Credit risk

The Group is exposed to credit risk in respect of losses that would have to be recognized if counterparties fail to perform as contracted.

The Group's exposure to credit risk is primarily with respect to accounts receivable, bank balances, and short-term deposits. Credit risk on bank balances and short-term deposits is limited as counterparties are reputable, well-established financial institutions. The Group's credit risk is thus primarily limited to accounts receivable, which is shown net of expected credit losses.

At each reporting date, the Group performs an impairment analysis by applying a simplified approach using a provision matrix to measure expected credit losses. Loss rates are based on actual credit losses for a three to five-year period. Loss rates are adjusted to reflect changes in forward-looking information such as inflation, GDP growth rates and commodity prices.

The credit risk from accounts receivable is mitigated by monitoring the solvency and the payment history of counterparties before continuing to extend credit facilities to them. Accounts receivable balances are written off when there is no reasonable expectation of recovery.

To assess the allowance for expected credit losses, accounts receivable balances have been grouped based on shared credit risk characteristics such as aging, governmental corporations, retail service station customers and other customers.

c. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management requires maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance its operations. The Group maintains cash deposits with financial institutions of good standing. In addition, the Group through its subsidiaries maintains overdrafts as described in Note 5.

The table below analyses the Group's financial liabilities and accrued expenses in relevant maturity groupings based on the remaining period at the contractual maturity dates:

	2019			
	Carrying Amount	**0-12 months**	**1-5 years**	**Greater than 5 years**
Bank overdraft	$ 12,650	$ 12,650	$ -	$ -
Accounts payable	22,525,539	22,525,539	-	-
Dividends payable	2,021,070	2,021,070	-	-
Due to associate	764,990	764,990	-	-
Long-term debt	910,417	217,748	692,669	-
Total financial liabilities and accrued expenses	$ 26,234,666	$ 25,541,997	$ 692,669	$ -

	2018			
	Carrying Amount	**0-12 months**	**1-5 years**	**Greater than 5 years**
Bank overdraft	$ 983,427	$ 983,427	$ -	$ -
Accounts payable	24,056,286	24,056,286	-	-
Dividends payable	2,033,589	2,033,589	-	-
Due to associate	2,227,222	2,227,222	-	-
Long-term debt	2,521,067	1,610,651	910,416	-
Total financial liabilities and accrued expenses	$ 31,821,591	$ 30,911,175	$ 910,416	$ -

d. Capital risk

Capital risk is the risk that the Group will become unable to absorb losses; this entails ensuring that opportunities can be acted upon in a timely fashion, while solvency is never threatened.

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing benefits and opportunities that may arise. The Group holds Board of Directors meetings, during which time all aspects of the business are discussed. Identified risks are addressed and immediate solutions are sought. The capital structure of the Group consists of net debt and equity of the Group and is comprised of issued capital, reserves and retained earnings.

The Board manages its capital structure and makes adjustments to it in light of economic conditions. The Board may from time to time adjust dividend payments, return capital to shareholders, issue new shares, retire debt or increase debt all subject to performance ratios provided by their primary banker.

The Group's capital risk policy remains unchanged from 2018.

e. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At present, the Group does not have any significant transactions denominated in foreign currencies and foreign exchange rates have not significantly fluctuated during the year.

Transactions denominated in U.S. dollars were translated into Bahamian dollars at the time of the exchange.

f. Fair value of financial assets and liabilities risk

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of management, the estimated fair value of financial assets and financial liabilities (accounts receivable, investments at fair value through profit or loss, bank balances, and accounts payable and accrued liabilities) at the date of the consolidated statement of financial position were not materially different from their carrying values due to their short-term nature.

22. COMMITMENTS

The Group through its subsidiaries has entered into various strategic agreements with third parties in order to secure supplies of inventory, as well as a Technical Service Agreement in connection with its participation in the Joint Operation at the Lynden Pindling International Airport. Incidental to these agreements, the Group through its subsidiaries, has committed to minimum purchase quantities for the supply agreements, and a minimum annual fee for the Technical Service Agreement.

FOHIL renewed a Trademark License agreement effective July 2012 (see Note 11). The agreement provides FOHIL a non-exclusive license to the Shell Brand Visual Manifestations at authorized sites. Consideration for the license, valued at $4,080,000 at inception of the agreement, is capitalized accordingly. Continued use of the license is contingent on FOHIL's commitment to pay SOHL royalties based on American gallons sold by authorized sites.

The Group, through its subsidiary, entered into a supply agreement with a major supplier of petroleum products. Per the sales agreement, the Group is committed to purchase minimum quantities of gasoline, diesel and liquid petroleum gas for the calendar year. The supply agreement covers the period from January 1, 2019 to December 31, 2019. Thereafter, the agreement shall renew automatically for each successive year, unless terminated thereafter by either party upon written notice of cancellation.

23. LEASE AGREEMENTS

Company as Lessor

Rental income from service stations, shop spaces and automated banking machines was $658,478 (2018: $706,881).

Future minimum payments due at July 31, 2019 were as follows:

	2019	2018
Within one year	$ 633,396	$ 692,096
After one year but no more than five years	2,596,924	2,837,594
	$ 3,230,320	$ 3,529,690

Operating lease commitments from service stations, property and buildings were $633,396 (2018: $692,096).

Company as Lessee

Future minimum lease rental expenses as at July 31, 2019 are as follows:

	2019	2018
Within one year	$ 899,618	$ 875,863
After one year but no more than five years	3,643,864	3,547,861
	$ 4,543,482	$ 4,423,724

Charter hires for vessels from the associate were $12,601,456 (2018: $5,999,057). The original lease terms on these charters ranged between two (2) to five (5) years and are currently on an ‘evergreen’ basis (i.e. the leases are automatically renewed until proper notice of cancellation by either party).

24. CONTINGENT LIABILITIES

The Group is contingently liable for customs bonds of $1,305,000 (2018: $1,305,000) and has standby letters of credit of $9,500,000 (2018: $9,500,000).

25. CLAIMS AGAINST THE GROUP

Pursuant to the purchase of Shell Bahamas Limited, FOHIL assumed several outstanding legal matters and has engaged legal Counsel to represent FOHIL in these matters. Based on management's judgment, a provision has been made in the consolidated financial statements for remaining exposure to expected loss in connection therewith.

26. SEGMENT REPORTING

The Group's primary format for segment reporting is in Business Segments. The risks and returns of the Group's operations are primarily determined by the nature of the different activities that the Group is engaged in, rather than the geographical location of these operations. This is reflected by the Group's organizational structure and the Group's internal financial reporting systems.

The Group has two Operating Segments: Wholesale and Retail. The activity of the Retail Segment includes marketing and operating several service stations, whilst, the Wholesale Segment is dedicated to supplying petroleum products. The Group is managed on an integrated basis. The accounting policies of Operating Segments are the same as those described in Note 3, Summary of Significant Accounting Policies. Sales between segments are made at prices that approximate market prices, taking into account the volumes involved. Revenue, expenses and results of the segments include inter-segment transactions between business segments. These transactions and any unrealized profits and losses are eliminated on consolidation.

(Continued)

SEGMENT REPORTING, YEAR ENDED JULY 31, 2019

	Retail	Wholesale	Eliminations	Consolidated
REVENUE:				
External sales	$ 71,567,903	$ 253,257,946	$ -	$ 324,825,849
Intersegment sales	-	269,390,196	(269,390,196)	-
	71,567,903	522,648,142	(269,390,196)	324,825,849
RESULT:				
Segment result	1,019,577	27,164,801	(109,701)	28,074,677
Income from operations	1,019,577	27,164,801	(109,701)	28,074,677
Interest income	18,095	-	-	18,095
Finance costs	(65,645)	(62,401)	-	(128,046)
Unallocated other income	-	-	-	-
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR	$ 972,027	$ 27,102,400	$ (109,701)	$ 27,964,726

STATEMENT OF FINANCIAL POSITION

	Retail	Wholesale	Eliminations	Consolidated
ASSETS:				
Segment assets	36,531,169	$ 231,041,983	$ (55,958,967)	$ 211,614,185
Unallocated corporate assets	-	-	-	-
TOTAL ASSETS	$ 36,531,169	$ 231,041,983	$ (55,958,967)	$ 211,614,185
LIABILITIES:				
Segment liabilities	5,539,992	$ 75,353,490	$ (54,658,816)	$ 26,234,666
Unallocated corporate liabilities	-	-	-	-
TOTAL LIABILITIES	$ 5,539,992	$ 75,353,490	$ (54,658,816)	$ 26,234,666

OTHER INFORMATION

	Retail	Wholesale	Eliminations	Consolidated
ASSETS:				
Capital additions	$ 325,199	$ 6,054,144	$ -	$ 6,379,343

(Continued)

SEGMENT REPORTING, YEAR ENDED JULY 31, 2018

STATEMENT OF COMPREHENSIVE INCOME

	Retail	Wholesale	Eliminations	Consolidated
REVENUE:				
External sales	$ 73,156,760	$ 244,845,411	$ -	$ 318,002,171
Intersegment sales	-	250,493,053	(250,493,053)	-
	73,156,760	495,338,464	(250,493,053)	318,002,171
RESULT:				
Segment result	1,553,227	24,088,804	(393,339)	25,248,692
Income from operations	1,553,227	24,088,804	(393,339)	25,248,692
Interest income	15,055	-	-	15,055
Finance costs	(88,459)	(236,113)	-	(324,572)
Unallocated other income	92,000	-	-	92,000
NET AND COMPREHENSIVE INCOME	$ 1,571,823	$ 23,852,691	$ (393,339)	$ 25,031,175

STATEMENT OF FINANCIAL POSITION

	Retail	Wholesale	Eliminations	Consolidated
ASSETS:				
Segment assets	$ 37,046,879	$ 261,361,773	$ (91,361,803)	$ 207,046,849
Unallocated corporate assets	-	-	-	-
TOTAL ASSETS	$ 37,046,879	$ 261,361,773	$ (91,361,803)	$ 207,046,849
LIABILITIES:				
Segment liabilities	$ 5,140,402	$ 116,852,542	$ (90,171,353)	$ 31,821,591
Unallocated corporate liabilities	-	-	-	-
TOTAL LIABILITIES	$ 5,140,402	$ 116,852,542	$ (90,171,353)	$ 31,821,591

Segment assets consist primarily of accounts receivable, inventories, property, plant, equipment, investment property and intangible assets.

Segment liabilities consist primarily of accounts payable, accrued liabilities and certain long-term debt.

Corporate overheads are allocated to segments for company reporting purposes based on annual revenues and operating expenditure.

(Concluded)

27. OTHER INCOME

During the prior year, the Group received insurance proceeds of $412,444 for claims in connection with property damage and losses sustained as a result of Hurricane Irma during September, 2017. These losses were covered under the Group's comprehensive insurance plan.

28. EFFECT OF CHANGE IN ACCOUNTING POLICY

The implementation of IFRS 9 resulted in a change in accounting policy, which was applied retrospectively. Under the transitional provisions in IFRS 9, the Group elected to apply the effect of the change in accounting policy to the opening retained earnings for August 1, 2018, as noted below:

	2018
Consolidated statement of changes in equity:	
Retained earnings at July 31, 2018, as previously reported	$ 121,461,352
Application of allowance for expected credit losses	(1,018,682)
Retained earnings as at July 31, 2018, as restated	$ 120,442,670

29. SIGNIFICANT EVENT

In May 2019, the Group obtained shareholder approval to change its fiscal year end from July 31 to September 30. This change will be effective for the fiscal year 2020.

30. SUBSEQUENT EVENTS

Subsequent to year end but before the date of authorization of these consolidated financial statements, the following events have occurred:

- During September 2019, the Group suffered damages resulting from Hurricane Dorian passing through the Northern Bahamas. Management is assessing the total impact of such damages on the assets of the Group.

- In November 2019, the Group requested and was approved for the final draw down of $5,000,000 on the existing $20,000,000 loan facility. The additional draw down was requested to finance future capital projects.

- The Group declared distribution of the following dividends:

  a) Common Shareholders:

  i. Ordinary dividend of 3 cents per share to all shareholders on record at October 31, 2019, payable on November 12, 2019.

  ii. Extra-ordinary dividend of 3 cents per share to all shareholders on record at November 29, 2019, payable on December 11, 2019.

  b) Preference Shareholders:

  Semi-annual dividend of 6.00% (Prime + 1.75%), to Class B Preference Shareholders on record at October 15, 2019, payable by October 25, 2019.

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