



FOCOL Holdings Limited
FUELLING GROWTH FOR PEOPLE

2023
2022
2021
2020

PRESSING FORWARD

ANNUAL REPORT 2020



FOCOL Holdings Limited

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MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (MD&A) is intended to provide an understanding of the financial condition, results of operation and cash flows of FOCOL Holdings Limited (FOCOL) for the period ended September 30, 2020. This MD&A should be read in conjunction with our audited consolidated financial statements and accompanying footnote disclosures. The audited financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are expressed in Bahamian dollars.

During year 2020, FOCOL changed its fiscal year end from July 31 to September 30. The audited financial statements presented in this MD&A are for the fourteen-month period August 1, 2019 to September 30, 2020.

This MD&A is dated April 30, 2021.

OVERALL PERFORMANCE

FOCOL is a leading petroleum distributor in The Bahamas and The Turks & Caicos Islands. Net income for the fourteen-month period was \$22.9 million compare to \$27.9 million for the twelve-month period in the prior year. Net income for year 2020 was 31% below our budgeted amount of \$33.1 million. FOCOL's financial results were impacted by the following significant events in 2020:

- 1. Hurricane Dorian:** FOCOL sustained significant property damage and business interruption to some of its retail operation and Depot sites in Grand Bahama and Abaco. Restoration to Grand Bahama's retail site was completed in March 2021. Restoration efforts are on-going in Abaco and a gradual rebound in business is expected as the island of Abaco recovers and rebuilds.
- 2. COVID – 19:** FOCOL's financial results were impacted from March 2020 to September 2020 by the institution of the Emergency Powers Act and Regulations (the 'Orders') by the Government of The Commonwealth of The Bahamas to contain the spread of COVID-19. The Orders included travel bans and restrictions, quarantines, curfews, stay at home orders and closures of non-essential services. These restrictions resulted in a 14% - 42% decline in sales volumes for gasoline, diesel and propane products due to the decline in vehicular movement and the closure of major hotel properties and restaurants during that period.
- 3. IFRS 16:** The implementation of International Financial Reporting Standard (IFRS) 16, Leases during 2020.

ANNUAL INFORMATION:

	2020 (14 Months) Millions	2019 (12 Months) Millions	2018 (12 Months) Millions
Revenue	\$298,218,175	\$324,825,849	\$318,002,171
Net Income	22,989,046	27,964,726	25,031,175
Total Assets	246,429,721	211,614,185	207,046,849
Total Long-Term Liabilities	31,193,018	1,457,659	3,137,638
Dividends Per Share	0.12	0.12	0.12
Basic and Diluted Earnings Per Share	0.20	0.25	0.22

The decline in revenue, net income and basic and diluted earnings per share is attributed to the impact of Hurricane Dorian and the COVID-19 pandemic.

The increase in total assets and long-term liabilities is attributed to the adoption of IFRS 16, Leases. See additional information disclosed in Adoption of Accounting Policy – IFRS 16, Leases.

LIQUIDITY

	2020	2019	2018
Balance Sheet			
Cash and Cash Equivalents	\$23,238,241	\$30,781,718	\$14,302,708
Term Deposits	4,296,631	4,293,073	2,761,677
Bank Overdrafts	9,609,792	12,650	983,427
Statement of Cash Flows			
Cash from Operating Activities	19,828,836	46,830,459	14,044,443

FOCOL maintains high levels of cash to sustain its operations. Cash is generated mainly from operating activities. The petroleum industry is volatile, and crude oil prices could easily rise. FOCOL must have cash on hand to maintain its inventory levels and to invest in new ventures.

New borrowings during 2020 amounted to \$5 million. New borrowings and the overdraft facility are being used to finance various capital projects.

ADOPTION OF ACCOUNTING POLICY – IFRS 16, LEASES

IFRS 16 replaced IAS 17, Leases effective for accounting periods on or after January 1, 2019. IFRS 16 increases visibility of lease commitments by requiring them to be recorded on the balance sheet. FOCOL adopted IFRS 16 during year 2020. FOCOL leases land, buildings and vessels. IFRS 16 impacted fifteen leases held by FOCOL. In the prior year, these leases were recognized in the consolidated statement of comprehensive income as rent expense with no balance sheet impact. IFRS 16 requires FOCOL to record Right of Use Assets and corresponding Lease Liabilities on adoption of IFRS 16. The Right of Use Assets are depreciated over the life of the lease and the Lease Liability is reduced as monthly lease payments are made.

At September 30, 2020, FOCOL had \$26.5million of Right of Use Assets and \$27.9 million of Lease Liabilities on its balance sheet. This balance consists mainly of \$24.4 million of Right of Use Assets and \$25.7 million of Lease Liabilities for five purpose built ocean-going ships used to transport petroleum products from the US Gulf and throughout The Bahamas and The Turks & Caicos Islands.

2021 OUTLOOK

The impact of the COVID-19 pandemic on FOCOL's financial results in 2021 will depend on several evolving factors. With the reopening of the Tourism industry and the relaxation of certain restrictions, the transportation sector is trending in a positive direction in 2021. We remain optimistic that this positive trend will continue.

BOARD OF DIRECTORS



**SIR FRANKLYN R.
WILSON, CMG**
Chairman



**ANTHONY
ROBINSON**
President & CEO



**CARYL A.E.
LASHLEY**
Corporate Secretary



**BISHOP NEIL
ELLIS**
Director



**DEBORAH S.A.
ARCHER**
Director



**S. ROSEL
MOXEY**
Director



**RUSSELL
MILLER**
Director



**WALTER
WELLS**
Director



**JOHN
BETHELL**
Director



CORPORATE INFORMATION

REGISTRAR AND TRANSFER AGENT

Bahamas Central Securities Depository Limited
2nd Floor Fort Nassau Centre
British Colonial Hilton Suite #202,
P.O. Box N-9307
Nassau, The Bahamas

AUDITORS

Deloitte & Touche
2nd Terrace West, Centreville
P.O. Box N-7120
Nassau, The Bahamas
Tel: **242.302.4800**
Fax: **242.322.3101**

COUNSEL AND ATTORNEYS

Dupuch & Turnquest & Co.
#82 Dowdeswell Street
P.O. Box N-8181
Nassau, The Bahamas
Tel: **242.393.3226**
Fax: **242.393.6807**

BANKER

Royal Bank of Canada
East Hill Street
P.O. Box N-7549
Nassau, The Bahamas
Tel: **242.356.8500**
Fax: **242.328.7145**



CHAIRMAN'S REPORT

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

At our 2019 Annual General Meeting, FOCOL Holdings Limited (FOCOL) obtained shareholder approval to change its year end from July 31 to September 30 effective for year 2020. Year 2020 reflects our financial results for the fourteen (14) month period August 1, 2019 to September 30, 2020.

The Board of Directors of FOCOL is pleased to present the audited results for the period ended September 30, 2020. Net income for the period ended September 30, 2020 was \$22.99 million compared to \$27.96 million for the twelve (12) month period in the previous year.

The main factors that contributed to lower net income for fiscal 2020;

- I. the adverse impact of the Novel Coronavirus (COVID-19) on the Bahamian economy and
- II. implementation of International Financial Reporting Standard (IFRS) 16 Leases, related to our Charter Agreements on five purpose-built ocean-going ships used to transport petroleum products from the U.S. Gulf and throughout The Bahamas and Turks & Caicos Islands.

Because of the COVID-19 pandemic, the economic outlook for fiscal 2021 appears to be very challenging. Management is actively monitoring the financial performance of the Company and will make the necessary adjustments to ensure the optimal financial performance of the Company.

The Board of Directors wishes to thank our loyal customers, dedicated staff and shareholders for their continued confidence in FOCOL Holdings Limited.



Sir Franklyn Wilson, KCMG
Chairman



CONSOLIDATED FINANCIAL STATEMENTS

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 September 30, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fourteen month period 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 September 30, 2020, and its consolidated financial performance and its consolidated cash flows for the fourteen month period 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 Matters

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 Matters	Summary of the Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Recoverable amounts of goodwill	<p>At September 30, 2020, the Group had recorded Goodwill of \$10,858,568 (Refer to Note 12 to the consolidated financial statements).</p> <p>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.</p>	<p>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.</p>
Adoption of IFRS 16 Leases	<p>During the current fiscal year, the Group adopted IFRS 16. The adoption of this standard requires management to make significant judgments in establishing the underlying key assumptions.</p> <p>The adoption of this standard requires management to consider specific assumptions applied to determine the discount rates for each lease, underlying lease data, and a model to calculate the transitional and ongoing impact on the consolidated financial statements and related disclosures.</p>	<p>In evaluating the adoption of IFRS 16, we performed various procedures, including the following:</p> <ul style="list-style-type: none"> Assessed the design and implementation of key controls related to determining the impact of IFRS 16 on the Group; Assessed the appropriateness of the discount rates applied in determining lease liabilities; Reviewed management's accounting policy and its adherence to the provisions of IFRS 16; Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contract or other supporting information, and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment; Considered the completeness of lease agreements by comparing current year lease agreements with the prior year lease agreements. We also tested addition and termination of lease agreements during current year through substantive test of details; and Assessed the disclosures within the consolidated financial statements in light of the requirements of IFRS 16.

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 matters of most significance in the audit of the consolidated financial statements of the current period and they are therefore, the key audit matters. 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.

A handwritten signature in purple ink, appearing to read 'Debitte & Tanche', with a large, stylized initial 'D'.

Nassau, Bahamas
March 26, 2021

FOCOL HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020***(Expressed in Bahamian dollars)*

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash (Note 5)	\$ 23,238,241	\$ 30,781,718
Term deposits (Note 5)	4,296,631	4,293,073
Accounts receivable, net (Notes 7 and 22)	27,623,231	33,995,014
Inventories (Note 6)	16,564,926	18,074,921
Prepaid expenses and sundry assets (Notes 9 and 22)	<u>12,125,573</u>	<u>4,431,441</u>
Total current assets	<u>83,848,602</u>	<u>91,576,167</u>
NON-CURRENT ASSETS:		
Notes receivable, net (Note 8)	1,634,340	-
Property, plant, equipment and investment property, net (Note 10)	102,250,648	90,048,211
Right of use assets, net (Note 11)	26,502,949	-
Goodwill and intangible assets (Note 12)	12,761,577	13,558,498
Investment in associate (Note 14)	19,393,876	16,287,997
Due from associate (Note 22)	<u>37,729</u>	<u>143,312</u>
Total non-current assets	<u>162,581,119</u>	<u>120,038,018</u>
TOTAL ASSETS	<u><u>\$ 246,429,721</u></u>	<u><u>\$ 211,614,185</u></u>

(Continued)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020***(Expressed in Bahamian dollars)*

	2020	2019
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Bank overdraft (Notes 5 and 23)	\$ 9,609,792	\$ 12,650
Accounts payable and accrued liabilities (Notes 15, 22 and 23)	10,625,382	22,525,539
Dividends payable (Note 23)	-	2,021,070
Current portion of lease liabilities (Notes 17, 22 and 23)	3,826,129	-
Current portion of long-term debt (Notes 16 and 23)	855,323	217,748
Total current liabilities	<u>24,916,626</u>	<u>24,777,007</u>
NON-CURRENT LIABILITIES:		
Due to associate (Notes 22 and 23)	2,630,725	764,990
Lease liabilities (Notes 17, 22 and 23)	24,098,335	-
Long-term debt (Notes 16 and 23)	4,463,958	692,669
Total non-current liabilities	<u>31,193,018</u>	<u>1,457,659</u>
Total liabilities	<u>56,109,644</u>	<u>26,234,666</u>
EQUITY:		
Share capital (Note 18)	83,675	84,232
Treasury shares (Note 18)	-	(283,778)
Preference shares (Note 18)	500,000	500,000
Contributed capital (Note 18)	49,500,000	51,837,875
Retained earnings (Note 2)	140,236,402	133,241,190
Total equity	<u>190,320,077</u>	<u>185,379,519</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 246,429,721</u>	<u>\$ 211,614,185</u>


(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on March 25, 2021, and are signed on its behalf by:



 Director



 Director

FOCOL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOURTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2020
(Expressed in Bahamian dollars)

	2020 (14 Months)	2019 (12 Months)
REVENUE (Note 25)	\$ 298,218,175	\$ 324,825,849
COST OF SALES (Note 22)	<u>(222,295,954)</u>	<u>(249,276,196)</u>
Gross profit	75,922,221	75,549,653
Equity income (Notes 14 and 22)	3,105,879	1,762,743
Other income (Notes 22 and 29)	4,290,750	18,095
Marketing, administrative and general expenses (Notes 19, 21, and 22)	(44,974,502)	(42,939,855)
Depreciation and amortization expense (Note 13)	(13,385,625)	(6,297,864)
Finance costs	<u>(1,969,677)</u>	<u>(128,046)</u>
PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 22,989,046</u>	<u>\$ 27,964,726</u>
Basic and diluted earnings per share (Note 20)	<u>\$ 0.20</u>	<u>\$ 0.25</u>

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOURTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2020 (Expressed in Bahamian dollars)

	Share Capital	Treasury Shares	Preference Shares	Contributed Capital	Retained Earnings	Total
Balance at July 31, 2018	\$ 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 18)	(103)	450,402	-	(450,299)	-	-
Common shares purchased and cancelled (Note 18)	(398)	-	-	(1,625,179)	-	(1,625,577)
Common share dividends: \$0.12 per share (Note 18)	-	-	-	-	(12,166,206)	(12,166,206)
Preference share dividends (Note 18)	-	-	-	-	(3,000,000)	(3,000,000)
Balance at July 31, 2019 as previously reported	84,232	(283,778)	500,000	51,837,875	133,241,190	185,379,519
Adjustment on initial application of IFRS 16 (Note 2)	-	-	-	-	(763,789)	(763,789)
Balance at July 31, 2019, as restated	84,232	(283,778)	500,000	51,837,875	132,477,401	184,615,730
Total comprehensive income	-	-	-	-	22,989,046	22,989,046
Treasury shares cancelled (Note 18)	(68)	283,778	-	(283,710)	-	-
Common shares purchased and cancelled (Note 18)	(489)	-	-	(2,054,165)	(140,929)	(2,195,583)
Common share dividends: \$0.12 per share (Note 18)	-	-	-	-	(12,089,116)	(12,089,116)
Preference share dividends (Note 18)	-	-	-	-	(3,000,000)	(3,000,000)
Balance at September 30, 2020	\$ 83,675	\$ -	\$ 500,000	\$ 49,500,000	\$ 140,236,402	\$ 190,320,077

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOURTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2020***(Expressed in Bahamian dollars)*

	2020 (14 Months)	2019 (12 Months)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	\$ 22,989,046	\$ 27,964,726
Adjustments for:		
Depreciation and amortization expense (Note 13)	13,385,625	6,297,864
Equity income from associate (Note 14)	(3,105,879)	(1,762,743)
Loss on disposals of property, plant and equipment, net	<u>293,625</u>	<u>35,297</u>
Income from operations before working capital changes	33,562,417	32,535,144
Decrease in accounts receivable, net	6,371,783	9,258,186
Increase in prepaid expenses and sundry assets	(7,694,132)	(624,263)
Decrease in inventories	1,509,995	7,204,658
Decrease in accounts payable and accrued liabilities	<u>(13,921,227)</u>	<u>(1,543,266)</u>
Net cash from operating activities	<u>19,828,836</u>	<u>46,830,459</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in term deposits	(3,558)	(1,531,396)
Increase in notes receivable	(1,634,340)	-
Capital contribution (Note 14)	-	(1,500,000)
Proceeds from disposal of property, plant and equipment	649	-
Purchase of property, plant, equipment and investment property (Note 10)	(19,338,223)	(6,379,343)
Purchase of intangible assets (Note 12)	(9,095)	-
Decrease (increase) in due from associate	105,583	(105,268)
Increase (decrease) in due to associate	<u>1,865,735</u>	<u>(1,462,232)</u>
Net cash used in investing activities	<u>(19,013,249)</u>	<u>(10,978,239)</u>

(Continued)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOURTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2020***(Expressed in Bahamian dollars)*

	2020 (14 Months)	2019 (12 Months)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	\$ 5,000,000	\$ -
Repayment of long-term debt	(591,136)	(1,610,650)
Repayment of lease liabilities	(5,080,371)	-
Repurchase of ordinary shares (Note 18)	(2,195,583)	(1,625,577)
Common share dividends paid	(12,089,116)	(12,166,206)
Preference share dividends paid	(3,000,000)	(3,000,000)
Net cash used in financing activities	<u>(17,956,206)</u>	<u>(18,402,433)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,140,619)	17,449,787
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>30,769,068</u>	<u>13,319,281</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 13,628,449</u>	<u>\$ 30,769,068</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF THE FOLLOWING:		
Cash	\$ 23,238,241	\$ 30,781,718
Bank overdraft	(9,609,792)	(12,650)
	<u>\$ 13,628,449</u>	<u>\$ 30,769,068</u>
SUPPLEMENTAL INFORMATION:		
Interest paid on bank overdraft and loans	<u>\$ 215,504</u>	<u>\$ 128,046</u>
Interest received	<u>\$ 5,905</u>	<u>\$ 5,326</u>
NON-CASH TRANSACTION:		
Transfer of construction-in-progress to intangible assets	<u>\$ -</u>	<u>\$ 1,614,966</u>

(Concluded)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOURTEEN MONTH PERIOD ENDED SEPTEMBER 30, 2020 *(Expressed in Bahamian dollars)*

1. INCORPORATION AND ACTIVITY

FOCOL Holdings Limited is incorporated under the laws of The Commonwealth of The Bahamas. The consolidated financial statements for the period ended September 30, 2020 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, Sun Oil Turks and Caicos Limited (“Sun Oil – TCI”), a wholesaler of fuel and related products operating in the Turks and Caicos Islands and Sun Brokerage Co., Ltd, a brokerage company operating in The Bahamas. 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 supply generators for energy production and to provide renewable energy solutions;
- 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 BTCL, 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.

In May 2019, the Group obtained shareholder approval to change its fiscal year end from July 31 to September 30 to align its financial reporting and operational requirements. The audited accounts presented are for the fourteen-month period August 1, 2019 to September 30, 2020 and are not comparable with the prior year audited accounts presented.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted 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, 2019. The adoption of IFRS 16 has led to changes in the Group's accounting policies and is assessed below.

IFRS 16 Leases

The Group adopted IFRS 16, Leases (as issued by the IASB in January 2016) that is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group adopted IFRS 16 using the modified retrospective approach, with an initial application date of August 1, 2019. The Group as a lessee, also applied the practical expedient that permits the lessee to elect not to assess whether COVID-19 rent concessions is a lease modification. The Group has not restated the comparative information, which continues to be reported under IAS 17, Leases.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before August 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after August 1, 2019.

Impact on lessee accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 - Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within marketing, administration and general expenses in the consolidated statement of comprehensive income.

The Group used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17. The Group:

- elected not to recognize right-of-use assets and lease liabilities for leases where the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term when the contract contains options to extend or terminate the lease;
- used the contractual lease term and cancellation notice period as the lease term in instances where the lease was on an evergreen basis; and
- elected not to assess whether a COVID-19 related rent concession is representative of a lease modification.

Impact on lessor accounting

The Group leases out land and buildings included in property, plant, equipment and investment property. The Group has classified these leases as operating leases. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as lessor.

Impact on transition

On transition to IFRS 16, the Group recognized right-of-use assets, lease liabilities, and recognized the difference in retained earnings as summarized below:

	August 1, 2019
Right of use asset	<u>\$ 36,954,676</u>
Lease liabilities	<u>\$ 37,718,465</u>
Retained earnings	<u>\$ (763,789)</u>

The Group also recognized a decrease in rent expense of \$6,834,544 and an increase in depreciation expense of \$5,738,098 and interest expense of \$1,754,173 in the consolidated statement of comprehensive income.

The application of IFRS 16 has an impact on the consolidated statement of cashflows of the Group.

Under IFRS 16, the Group presented:

- short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of operating activities); and
- cash payments for the principal portion for a lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by \$5,080,371 which represents the principal payments on the lease liability, and net cash used in financing activities has decreased by the same amount.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate (IBR) at August 1, 2019 of 4.90%.

The Group elected to apply the effect of the change in accounting policy to the opening retained earnings for August 1, 2019 as noted below:

2019

Consolidated statement of changes in equity:

Retained earnings at July 31, 2019, as previously reported	\$ 133,241,190
Adjustment on initial application of IFRS 16	<u>(763,789)</u>
Retained earnings at July 31, 2019, as restated	<u>\$ 132,477,401</u>

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

IAS 1 and IAS 8	Definition of material (amendments)
IFRS 3	Definition of a business (amendments)
IFRS 7 and IFRS 9	Interest Rate Benchmark Reform (amendments)
IFRS 16	COVID-19 Related Rent Concessions (amendments)
Conceptual Framework	References to the Conceptual Framework in IFRS Standards (amendments)

Accounting Standards and Interpretations not yet effective

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

IFRS 3	Reference to the Conceptual Framework (amendments)
IFRS 10	Consolidated Financial Statements
IFRS 17	Insurance Contracts – New standard
IAS 1	Classification of Liabilities as Current or Non-current (amendments)
IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
IAS 28	Sale or Contribution of Assets between and Investor and its Associates or Joint Venture (amendments)
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
	Annual Improvements to IFRS Standards 2018 - 2020

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 period 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 amortized 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	2.5% - 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 and investment property, right of use assets 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

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 September 30, 2020, the Group's financial assets at amortized cost includes cash, term deposits, and accounts receivable, net, sundry assets 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 amortized 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, note 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, lease liabilities, 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.

l. Leases

Policies applicable from August 1, 2019

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangement in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest in the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the property, plant, equipment and investment property policy [see Note 3(j)].

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occur and are included in marketing, administrative and general expenses in the consolidated statement of comprehensive income.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. 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. 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.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Policies applicable prior to August 1, 2019

The Group as lessee

The Group classified all leases in the prior year as operating leases. No assets or liabilities were recognized in the Group's consolidated statement of financial position. Lease payments made under operating leases were recognized on a straight-line basis over the term of the lease in the consolidated statement of comprehensive income.

The Group as a lessor

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

- 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 amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized 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 amortized 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. Borrowing costs* - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

- r. **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.
- s. **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.

- t. **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.

- u. **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.

- v. **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.
- w. **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.
- x. **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.

- y. **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 BTCL 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.
- d. **IFRS 16 - Leases** - The Group leases land, buildings and vessels. The calculation of the lease liabilities and right of use assets requires management to make certain assumptions. The lease term is based on the lease agreement or on the economic life of the asset if the lease is on an evergreen basis. The discount rate used to calculate the lease liability is based on the Group's incremental borrowing rate (IBR). Short-term leases are excluded from the lease liability calculation.

5. CASH AND CASH EQUIVALENTS

The Group has the following term deposits:

Short-term deposits with local banks totaling \$2,769,209 (2019: \$2,776,178). The short-term deposits have maturity dates of up to six months with an interest rate of 0.55% (2019: interest rate range 1% to 1.50%) per annum.

Term deposit of \$1,510,500 (2019: \$1,500,000) with a bank in the Turks and Caicos Islands. The term deposit is for a period of one year at an interest rate of 2% (2019: 0.07%) per annum.

Term deposit of \$16,922 (2019: \$16,895) with a local bank. The term deposit is for a one year period with an interest rate of 0.16% (2019: 0.16%).

The Group has available to it the following overdraft facilities:

Facility 1 represents a combined overdraft facility of \$10,100,000 (2019: \$10,100,000). This combined facility bears interest at Bahamas Prime plus 1.00% or 5.25% (2019: Bahamas Prime plus 1.00% or 5.25%) per annum; at September 30, 2020, the balance was \$5,221,904 (2019: \$12,650).

Facility 2 represents an overdraft facility of \$7,893,544 (2019: \$Nil) which bears interest at Bahamas Prime plus 0.25% or 4.50% per annum; at September 30, 2020, the balance was \$4,387,888 (2019: \$Nil).

The overdraft facilities are secured by a guarantee and postponement of claim by the Group, a fixed and floating charge debenture over the assets in the Group and the assignment of insurance proceeds.

6. INVENTORIES

Inventories consist of the following:

	2020	2019
Gasoline - unleaded	\$ 6,138,410	\$ 3,600,841
Gasoil - diesel	5,543,778	9,740,213
Lube oil	1,770,605	2,085,936
Propane	1,216,662	1,071,983
Other	1,194,960	974,037
Parts and tanks	376,104	275,596
Jet fuel	324,407	326,315
	<u>\$ 16,564,926</u>	<u>\$ 18,074,921</u>

Management has determined that no allowance for obsolete inventory is necessary. During the period, inventories totaling \$Nil (2019: \$28,831) were recognized as an expense in the consolidated statement of comprehensive income, as a result of inventory write-downs.

7. ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the following:

	2020	2019
Accounts receivable - trade	\$ 19,991,261	\$ 35,267,325
Other receivables	<u>10,531,269</u>	<u>1,805,732</u>
	30,522,530	37,073,057
Less: allowance for doubtful accounts	<u>(2,899,299)</u>	<u>(3,078,043)</u>
	<u>\$ 27,623,231</u>	<u>\$ 33,995,014</u>

The movement in allowance for doubtful accounts is as follows:

	2020	2019
At beginning of period	\$ 3,078,043	\$ 2,189,078
Adjustment on application of IFRS 9	-	1,018,682
Expected credit loss	409,101	415,175
Write offs	<u>(587,845)</u>	<u>(544,892)</u>
At end of period	<u>\$ 2,899,299</u>	<u>\$ 3,078,043</u>

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 September 30, 2020 can result in an increase or decrease in the allowance for ECL by \$305,225 (2019: \$370,731).

The Group 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% - 100% which has been applied to the various buckets.

The ageing of receivables is as follows:

	2020	2019
Current	\$ 19,222,790	\$ 26,458,997
31 - 60 days	2,144,119	2,008,060
61 - 90 days	956,653	1,535,764
Over 90 days	8,198,968	7,070,236
	<u>\$ 30,522,530</u>	<u>\$ 37,073,057</u>

Included in accounts receivable are balances totaling \$8,400,442 (2019: \$7,536,017) which are past due but not impaired.

8. NOTES RECEIVABLE, NET

Notes receivable consists of the following:

	2020
Notes receivable	\$ 2,142,379
Less: allowance for expected credit loss	<u>(508,039)</u>
	<u>\$ 1,634,340</u>

The movement in allowance for expected credit loss is as follows:

	2020
Balance, beginning of period	\$ -
Expected credit loss	508,039
Write-offs	<u>-</u>
Balance, end of period	<u>\$ 508,039</u>

The notes are interest free and unsecured. The repayment terms range between two and nine years.

The Group writes-off a note 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 September 2020 can result in an increase or decrease in the allowance for ECL by \$21,424.

The Group always measures the loss allowance for notes receivables at an amount equal to lifetime ECL. The expected credit losses on notes 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 2.9% - 32.4% which has been applied to the various buckets.

9. PREPAID EXPENSES AND SUNDRY ASSETS

Prepaid expenses include advances and deferred expenses of \$1,837,399 (2019: \$1,358,632) to be fully amortized during the subsequent fiscal year.

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

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

	Land	Buildings and Improvements	Computer, Furniture, Fixtures and Fencing Equipment	Storage Facilities	Vehicles	Liquid Petroleum Gas Plant	Construction In-Progress	Total
COST/VALUATION:								
Balance at July 31, 2018	\$ 22,375,630	\$ 29,165,555	\$ 23,248,857	\$ 4,042,494	\$ 8,143,517	\$ 726,295	\$ 10,973,900	\$ 144,065,623
Additions	-	10,321	342,970	21,982	676,655	-	4,902,349	6,379,343
Disposals and transfers in (out)	-	536,458	1,398,118	109,262	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	9,984,959	726,295	6,436,726	148,722,221
Additions	2,635,649	179,251	598,724	291,260	364,057	-	15,209,451	19,338,223
Disposals and transfers in (out)	-	805,189	800,523	(3,929)	1,900,034	-	(4,611,028)	(429,536)
Balance at September 30, 2020	\$ 25,011,279	\$ 30,696,774	\$ 26,389,192	\$ 4,461,069	\$ 12,249,050	\$ 726,295	\$ 17,035,149	\$ 167,630,908
ACCUMULATED DEPRECIATION:								
Balance at July 31, 2018	\$ -	\$ 9,592,479	\$ 13,610,028	\$ 3,014,081	\$ 5,784,052	\$ 726,295	\$ -	\$ 53,112,235
Depreciation	-	754,816	1,332,742	294,225	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	6,346,091	726,295	-	58,674,010
Depreciation	-	903,786	2,350,225	334,270	985,587	-	-	6,841,511
Disposals	-	(12,883)	(67,335)	(258)	(54,785)	-	-	(135,261)
Balance at September 30, 2020	\$ -	\$ 11,229,370	\$ 17,224,922	\$ 3,583,389	\$ 7,276,893	\$ 726,295	\$ -	\$ 65,380,260
CARRYING VALUE:								
As at September 30, 2020	\$ 25,011,279	\$ 19,467,404	\$ 9,164,270	\$ 877,680	\$ 4,972,157	\$ -	\$ 17,035,149	\$ 102,250,648
As at July 31, 2019	\$ 22,375,630	\$ 19,373,867	\$ 10,047,913	\$ 924,361	\$ 3,638,868	\$ -	\$ 6,436,726	\$ 90,048,211

During the prior year, the Group transferred computer software totaling \$1,614,966 from construction in progress to intangibles.

The Group capitalized \$182,379 (2019: \$Nil) of borrowing costs during the period.

11. RIGHT OF USE ASSETS

	<u>Land</u>	<u>Buildings</u>	<u>Vessels</u>	<u>Total</u>
COST:				
Balance at August 31, 2019	\$ 1,544,465	\$ 1,182,798	\$ 34,227,413	\$ 36,954,676
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2020	<u>\$ 1,544,465</u>	<u>\$ 1,182,798</u>	<u>\$ 34,227,413</u>	<u>\$ 36,954,676</u>
ACCUMULATED DEPRECIATION:				
Balance at August 31, 2019	\$ 194,404	\$ 107,813	\$ 4,411,412	\$ 4,713,629
Charge for the year	<u>226,872</u>	<u>125,781</u>	<u>5,385,445</u>	<u>5,738,098</u>
Balance at September 30, 2020	<u>\$ 421,276</u>	<u>\$ 233,594</u>	<u>\$ 9,796,857</u>	<u>\$ 10,451,727</u>
CARRYING VALUE:				
As at September 30, 2020	<u>\$ 1,123,189</u>	<u>\$ 949,204</u>	<u>\$ 24,430,556</u>	<u>\$ 26,502,949</u>

The Group leases several assets including land, buildings and vessels. The lease terms range from three (3) to forty (40) years. Certain leases have expired and are on an evergreen basis. The Group had one short-term lease that did not meet the requirements of IFRS 16, and the lease payment associated with this lease was expensed in the statement of comprehensive income.

Amounts recognized in the consolidated statement of comprehensive income

	2020
Depreciation expense on right-of-use assets	<u>\$ 5,738,098</u>
Interest expense on lease liabilities	<u>\$ 1,754,173</u>
Expenses relating to short-term leases	<u>\$ 661,648</u>
Expenses relating to variable lease payments not included in the measurement of the lease liability	<u>\$ 247,974</u>

One of the properties leased by the Group contains a variable lease payment term that is linked to sales generated from the leased store. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost. The breakdown of lease payments for this store is as follows:

	2020
Fixed payments	\$ 100,907
Variable payments	<u>247,974</u>
	<u>\$ 348,881</u>

The total cash outflows for leases amounted to \$6,834,544 (2019: \$13,765,181).

12. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	2020	2019
Goodwill	\$ 10,858,568	\$ 10,858,568
Intangible assets	<u>1,903,009</u>	<u>2,699,930</u>
	<u>\$ 12,761,577</u>	<u>\$ 13,558,498</u>

Goodwill

Goodwill consists of the following:

	2020	2019
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	<u>647,754</u>	<u>647,754</u>
	<u>\$ 10,858,568</u>	<u>\$ 10,858,568</u>

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 (2019: \$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 (2019: \$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 (2019: 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% (2019: 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% (2019: 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% (2019: 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 growth rate is sensitive to changes in revenues. A negative growth rate of less than 0.5% (2019: 0.5%) can result in an impairment of goodwill.

Intangible assets

Intangible assets consist of the following:

	2020	2019
Trademark license	\$ 4,080,000	\$ 4,080,000
Computer software	1,624,061	1,614,966
Less: accumulated amortization	<u>(3,801,052)</u>	<u>(2,995,036)</u>
	<u>\$ 1,903,009</u>	<u>\$ 2,699,930</u>

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 period.

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 period was \$126,015 (2019: \$80,749).

13. DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense consists of the following:

	2020	2019
Depreciation of property, plant and equipment	\$ 6,841,511	\$ 5,634,257
Amortization of trademark license and computer software	806,016	663,607
Depreciation of right of use assets	5,738,098	-
	<u>\$ 13,385,625</u>	<u>\$ 6,297,864</u>

14. INVESTMENT IN ASSOCIATE

Investment in associate consist of the following:

	Interest Held	2020	2019
BTCI Tankers Ltd.	60.00%	<u>\$ 19,393,876</u>	<u>\$ 16,287,997</u>

Total movement in investment in associate is as follows:

	2020	2019
Balance, beginning of period	\$ 16,287,997	\$ 13,025,254
Capital contribution	-	1,500,000
Equity income	3,105,879	1,762,743
Balance, end of period	<u>\$ 19,393,876</u>	<u>\$ 16,287,997</u>

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2020	2019
Trade payables	\$ 8,276,167	\$ 15,557,209
Accrued liabilities	<u>2,349,215</u>	<u>6,968,330</u>
	<u><u>\$ 10,625,382</u></u>	<u><u>\$ 22,525,539</u></u>

16. LONG-TERM DEBT

Long-term debt consists of the following:

	2020	2019
Bank loan	\$ 4,664,187	\$ -
Note payable	<u>655,094</u>	<u>910,417</u>
	5,319,281	910,417
Less: current portion	<u>855,323</u>	<u>217,748</u>
	<u><u>\$ 4,463,958</u></u>	<u><u>\$ 692,669</u></u>

The loan facility of \$20 million was entered into on September 30, 2014 at an interest rate of Bahamas Prime Plus 0.25% or 4.50%, with a 10-year term commencing one year after the initial drawdown, and monthly payments of \$Nil (2019: \$138,889). At July 31, 2019, drawdowns totaled \$15 million and the bank loan was repaid in full during the prior year.

In November 2019, the Group requested and was approved for the final drawdown of \$5 million on the existing \$20 million loan facility. The additional drawdown was requested to finance future capital projects at an interest rate of Bahamas Prime Plus 0.25% or 4.50%, a 10-year term and monthly payments of \$51,819 (2019: \$Nil).

The note payable of \$2,000,000 (2019: \$2,000,000) is unsecured at an interest rate of 6.00% over a 10-year term, repayable in monthly installments of \$22,204 (2019: \$22,204).

17. LEASE LIABILITIES

	2020	2019
Current	\$ 3,826,129	\$ -
Non-Current	<u>24,098,335</u>	<u>-</u>
	<u><u>\$ 27,924,464</u></u>	<u><u>\$ -</u></u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. The average effective borrowing rate used was 4.90%.

18. SHARE CAPITAL

	2020	2019
<u>Common Shares</u>		
<i>Authorized:</i>		
480,000,000 shares of \$.0008 each		
(2019: 480,000,000 shares of \$.0008 each)	\$ 400,000	\$ 400,000
<i>Issued and fully paid:</i>		
100,356,879 shares of \$.0008 each		
(2019: 100,968,529 shares of \$.0008 each)	\$ 83,675	\$ 84,232

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

	2020	2019
Balance at beginning of period	100,968,529	101,465,863
Common shares purchased during the period	(611,650)	(497,334)
Balance at end of period	100,356,879	100,968,529

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

Repurchase Date	Total Shares	Price Per Share	Total Consideration	Cancellation Date
September 26, 2019	60,000	\$ 3.45	\$ 207,005	January 13, 2020
December 31, 2019	365,000	3.31	1,208,150	January 13, 2020
January 2, 2020	10,000	3.55	35,505	January 13, 2020
March 26, 2020	150,000	4.26	639,000	April 7, 2020
March 26, 2020	1,650	4.26	7,030	April 7, 2020
March 27, 2020	1,000	4.34	4,340	April 7, 2020
September 25, 2020	24,000	4.00	96,005	September 29, 2020
	<u>611,650</u>		<u>\$ 2,197,035</u>	

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 10, 2020.

Treasury shares

During the period, the Group acquired and cancelled 611,650 (2019: 497,334) of its own common shares at a total cost of \$2,197,035 (2019: \$1,625,577) and as such, these shares are not reflected in treasury shares. The Group also cancelled 84,966 shares held as treasury shares in the current year on January 13, 2020.

	2020	2019
<u>Preference Shares</u>		
<i>Authorized:</i>		
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	<u>70,000,000</u>	<u>70,000,000</u>
	<u>120,000,000</u>	<u>120,000,000</u>
120,000,000 shares of \$.01 each		
(2019: 120,000,000 shares of \$.01 each)	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
<i>Issued and fully paid:</i>		
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	<u>10,000,000</u>	<u>10,000,000</u>
	<u>50,000,000</u>	<u>50,000,000</u>
50,000,000 shares of \$.01 each		
(2019: 50,000,000 shares of \$.01 each)	<u>\$ 500,000</u>	<u>\$ 500,000</u>

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

	2020	2019
Balance at beginning of period	50,000,000	50,000,000
Issued and fully paid during the period	<u>-</u>	<u>-</u>
Balance at end of period	<u>50,000,000</u>	<u>50,000,000</u>

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:

	2020	2019
Common shares	\$ -	\$ 2,337,875
Preference shares	<u>49,500,000</u>	<u>49,500,000</u>
	<u>\$ 49,500,000</u>	<u>\$ 51,837,875</u>

19. MARKETING, ADMINISTRATIVE AND GENERAL EXPENSES

Marketing, administrative and general expenses are comprised of:

	2020	2019
Salaries and benefits	\$ 16,250,972	\$ 14,898,241
Insurance	5,038,078	3,805,411
Repairs and maintenance	4,874,462	4,930,598
Shipping and delivery	4,274,895	5,802,469
License registrations	3,394,883	3,125,096
Trademark and related fees	2,087,643	2,360,057
Utilities	1,303,243	1,319,471
Communications	1,119,307	485,178
Miscellaneous	1,036,845	761,369
Professional fees	982,933	1,162,730
Expected credit losses	917,140	415,175
Rent	909,622	1,163,725
Advertising	890,542	1,029,489
Fuel inspection	577,392	405,037
Travel expenses	304,802	308,223
Office expenses	268,768	285,756
Bank charges	234,593	191,480
Donations	143,233	157,107
Customer service	126,599	135,843
Consulting fees	123,750	99,000
Non-executive Directors' fees	114,800	98,400
	<u>\$ 44,974,502</u>	<u>\$ 42,939,855</u>

20. EARNINGS PER SHARE

The calculation of basic earnings per share at September 30, 2020 was based on net comprehensive income attributable to ordinary shareholders of the Group totaling \$19,989,046 (2019: \$24,964,726) and weighted average number of ordinary shares outstanding during the period ended September 30, 2020 of 100,607,620 (2019: 101,254,666), are calculated as follows:

	2020	2019
Net income for the period	\$ 22,989,046	\$ 27,964,726
Dividends paid on preference shares	<u>(3,000,000)</u>	<u>(3,000,000)</u>
Net income attributable to ordinary shareholders of the Parent company	<u>\$ 19,989,046</u>	<u>\$ 24,964,726</u>
Weighted average number of ordinary shares, end of period	<u>100,607,620</u>	<u>101,254,666</u>

21. PENSION PLANS

The Group through its subsidiaries, has two (2) (2019: 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% (2019: 5%). Employer contributions vest after five years. The plans are administered by independent third parties. Combined contributions for the period for both plans were \$607,607 (2019: \$474,766).

22. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances and transactions were as follows:

	2020	2019
<i>Related party balances:</i>		
Accounts receivable	\$ 77,408	\$ 263,507
Prepaid expenses and sundry assets	\$ -	\$ 1,996,623
Due from associate	\$ 37,729	\$ 143,312
Accounts payable and accrued liabilities	\$ 2,643,402	\$ 1,325,910
Due to associate	\$ 2,630,725	\$ 764,990
Right of use assets	\$ 24,305,775	\$ -
Lease liabilities	\$ 25,691,510	\$ -
<i>Related party transactions:</i>		
Other income	\$ 4,274,448	\$ -
Equity income	\$ 3,105,879	\$ 1,762,743
Shipping and delivery	\$ 3,364,953	\$ 5,282,446
Cost of sales	\$ 5,960,127	\$ 7,319,010
Non-executive Directors' fees	\$ 114,800	\$ 98,400
Insurance premiums	\$ 5,084,452	\$ 3,667,056
Professional fees	\$ 582,398	\$ 254,610
Lease payments	\$ 6,424,566	\$ -
<i>Compensation of key management personnel:</i>		
Salaries and short-term benefits	\$ 2,698,437	\$ 2,457,133
Post employment benefits	273,550	331,920
Consulting fees	123,750	99,000
	\$ 3,095,737	\$ 2,888,053

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

23. 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 in relevant maturity groupings based on the remaining period at the contractual maturity dates:

	2020			
	Carrying Amount	0-12 months	1-5 years	Greater than 5 years
Bank overdraft	\$ 9,609,792	\$ 9,609,792	\$ -	\$ -
Accounts payable	10,625,382	10,625,382	-	-
Dividends payable	-	-	-	-
Due to associate	2,630,725	2,630,725	-	-
Lease liability	27,924,464	3,826,129	13,817,293	10,281,042
Long-term debt	5,319,281	855,323	3,530,739	933,219
Total financial liabilities	\$ 56,109,644	\$ 27,547,351	\$ 17,348,032	\$ 11,214,261

	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	\$ 26,234,666	\$ 25,541,997	\$ 692,669	\$ -

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 2019.

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 period.

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.

24. COMMITMENTS

The Group through its subsidiaries entered into the following:

1. 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.
2. 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, 2020 to December 31, 2020. Thereafter, the agreement shall renew automatically for each successive year, unless terminated thereafter by either party upon written notice of cancellation.
3. Renewal of a Trademark License agreement effective July 2012 (see Note 12). The agreement provides 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 the subsidiary's commitment to pay SOHL royalties based on American gallons sold by authorized sites.

4. An agreement to provide generation equipment to a customer. The subsidiary also entered into a fuel supply agreement for the generation equipment that will run concurrently with the generation equipment agreement. Both agreements are for a one-year period commencing on the commercial operation date of the generation equipment.

25. OPERATING LEASE AGREEMENTS

Operating leases, in which the Group is the lessor, related to property owned by the Group with lease terms between one to five years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Lease income on operating leases was \$755,584 (2019: \$658,478).

The maturity analysis of operating lease receipts are as follows:

	2020	2019
Within one year	\$ 724,784	\$ 633,396
After one year but no more than five years	<u>2,609,441</u>	<u>2,596,924</u>
	<u>\$ 3,334,225</u>	<u>\$ 3,230,320</u>

26. CONTINGENT LIABILITIES

The Group is contingently liable for customs bonds of \$1,305,000 (2019: \$1,305,000) and has standby letters of credit of \$32,292,112 (2019: \$9,500,000).

27. 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.

28. 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 three Operating Segments: Wholesale, Retail and Utility Services. The activity of the Retail Segment includes marketing and operating several service stations, whilst, the Wholesale Segment is dedicated to supplying petroleum products. The Utility Services Segment will supply generators for the purposes of energy production. 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, PERIOD ENDED SEPTEMBER 30, 2020**STATEMENT OF COMPREHENSIVE INCOME**

	Retail	Wholesale	Utility Services	Eliminations	Consolidated
REVENUE:					
External sales	\$ 72,849,508	\$ 225,365,586	\$ 3,081	\$ -	\$ 298,218,175
Intersegment sales	-	249,610,553	-	(249,610,553)	-
	<u>72,849,508</u>	<u>474,976,139</u>	<u>3,081</u>	<u>(249,610,553)</u>	<u>298,218,175</u>
RESULT:					
Segment result	<u>1,503,312</u>	<u>23,702,958</u>	<u>(112,229)</u>	<u>(151,620)</u>	<u>24,942,421</u>
Income from operations	1,503,312	23,702,958	(112,229)	(151,620)	24,942,421
Interest income	16,302	-	-	-	16,302
Finance costs	(126,597)	(1,843,080)	-	-	(1,969,677)
Unallocated other income	-	-	-	-	-
PROFIT AND COMPREHENSIVE					
INCOME FOR THE PERIOD	<u>\$ 1,393,017</u>	<u>\$ 21,859,878</u>	<u>\$ (112,229)</u>	<u>\$ (151,620)</u>	<u>\$ 22,989,046</u>

STATEMENT OF FINANCIAL POSITION

ASSETS:					
Segment assets	\$ 42,300,014	\$ 246,837,749	\$ 17,549,659	\$ (60,257,701)	\$ 246,429,721
Unallocated corporate assets	-	-	-	-	-
TOTAL ASSETS	<u>\$ 42,300,014</u>	<u>\$ 246,837,749</u>	<u>\$ 17,549,659</u>	<u>\$ (60,257,701)</u>	<u>\$ 246,429,721</u>
LIABILITIES:					
Segment liabilities	\$ 4,690,868	\$ 101,172,631	\$ 9,052,075	\$ (58,805,930)	\$ 56,109,644
Unallocated corporate liabilities	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ 4,690,868</u>	<u>\$ 101,172,631</u>	<u>\$ 9,052,075</u>	<u>\$ (58,805,930)</u>	<u>\$ 56,109,644</u>

OTHER INFORMATION

ASSETS:					
Capital additions	<u>\$ 1,346,554</u>	<u>\$ 9,729,599</u>	<u>\$ 8,262,070</u>	<u>\$ -</u>	<u>\$ 19,338,223</u>

(Continued)

SEGMENT REPORTING, YEAR ENDED JULY 31, 2019**STATEMENT OF COMPREHENSIVE INCOME**

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

STATEMENT OF FINANCIAL POSITION

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

OTHER INFORMATION**OTHER INFORMATION****ASSETS:**

Capital additions	<u>\$ 325,199</u>	<u>\$ 6,054,144</u>	<u>\$ -</u>	<u>\$ 6,379,343</u>
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Segment assets consist primarily of accounts receivable, inventories, property, plant, equipment, investment property, intangible assets and right of use assets.

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

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

(Concluded)

29. OTHER INCOME

During the year, the Group received insurance proceeds of \$4,274,448 for claims in connection with property damage and losses sustained as a result of Hurricane Dorian during September 2019. These losses were covered under the Group's comprehensive insurance plan.

30. SUBSEQUENT EVENTS

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

1. In November 2020, the Group received a \$3,000,000 dividend from the investment in associate.
2. The Group declared distribution of the following dividends:
 - a) ***Common Shareholders:***
 - i. Extra-ordinary dividend of 3 cents per share to all shareholders on record at November 30, 2020, payable on December 10, 2020.
 - ii. Ordinary dividend of 3 cents per share to all shareholders on record at December 31, 2020, payable on January 12, 2021.
 - b) ***Preference Shareholders:***
 - i. Semi-annual dividend of 6.00% (Prime + 1.75%), to Class B Preference Shareholders on record at October 15, 2020, payable by October 25, 2020.
 - ii. Semi-annual dividend of 6.00% (Prime + 1.75%), to Class A and C Preference Shareholders on record at December 31, 2020, payable by January 15, 2021.
3. The spread of COVID-19 continues to severely impact the global and the local economies. In March 2020, the Government of The Commonwealth of The Bahamas enacted the Emergency Powers Act and the Emergency Powers (COVID-19) Regulations (collectively referred to as "the Orders") to contain the spread of COVID-19. The Orders include travel bans and restrictions, quarantines, curfews, stay at home orders and closures of non-essential services. These Orders have been extended to May 23, 2021.

The extent of the impact of the COVID-19 pandemic on our business and financial results will continue to depend on numerous evolving factors that we are unable to predict including the duration and scope of the pandemic, economic conditions during and after the pandemic, additional governmental restrictions that may be taken in response to the pandemic and changes in consumer behavior due to the pandemic. The Group continues to monitor the uncertainties and risks associated with the pandemic to mitigate the negative impact of the downturn in the economy on our financial results. However, if the current global and local economic conditions persist, we may experience a material adverse impact on our financial results in 2021.

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NOTES



FOCOL HOLDINGS LIMITED

Queen's Highway | Harbour Area | P.O. Box F-42458

T: 242.352.8131 | F:242.352.2986