



FOCOL Holdings Limited
FUELLING GROWTH FOR PEOPLE



2021 ANNUAL REPORT

CONTINUITY CHANGE



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' or 'the Group') for the year ended September 30, 2021. 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.

The audited financial statements presented in this MD&A are for the twelve-month period October 1, 2020 to September 30, 2021 and are not comparable with the prior year audited financial statements. During the prior year, FOCOL changed its fiscal year end from July 31 to September 30. The audited financial statements for the prior year are for the fourteen-month period August 1, 2019 to September 30, 2020.

This MD&A is dated May 31, 2022.

OVERALL PERFORMANCE

FOCOL is a leading energy company in The Bahamas and The Turks & Caicos Islands. Net income for the twelve-month period was \$16.5 million compared to \$22.9 million for the fourteen-month period in the prior year. The Group's financial results were significantly impacted by COVID-19 which was first detected in The Bahamas in March 2020. Based on the impact of COVID-19 on our business for the period April 2020 to September 2020 the results of which are included in the prior year, Management reduced the budgeted net income from \$33.1 million for year 2020 to \$15.4 million for year 2021. FOCOL ended the year \$1.1 million above its 2021 budgeted net income.

The Government of the Bahamas enacted the Emergency Powers Act and the Emergency Powers (COVID-19) Regulations (collectively referred to as "the Orders") for the period March 2020 to November 2021 to contain the spread of COVID-19. FOCOL was affected by these Orders for the entire twelve-month period in 2021. The Orders included travel bans and restrictions, quarantines, curfews, stay at home orders and closures of non-essential services. During this period, the country grappled with reduced visitor arrivals by air and the closure of the cruise line industry resulting in the closure of major hotel properties, restaurants and tourist attractions. Unemployment was at an all-time high as most Bahamians are employed in the tourism sector. This impacted the transportation sector and the volume of petroleum products sold throughout the country by our network of wholesale and retail service stations.

During the latter part of the year, various Orders were revised, and restrictions reduced, and the country and the world slowly rebounded from the effects of the pandemic. The increase in air arrivals and the return of cruise ships provided an economic boost for the country and the transportation sector which continues to trend upwards as of the completion date of this MD&A.

ANNUAL INFORMATION

	2021 (12 Months)	2020 (14 Months)	2019 (12 Months)	2018 (12 Months)
Revenues	\$289,071,691	\$298,218,175	\$324,825,849	\$318,002,171
Net Income	16,533,085	22,989,046	27,964,726	25,031,175
Total Assets	297,093,846	245,841,159	211,614,185	207,046,849
Total Liabilities	105,194,024	55,289,113	26,234,666	31,821,591
Dividends Per Share	0.12	0.12	0.12	0.12
Earnings Per Share	0.13	0.20	0.25	0.22

Revenue, Net Income & Earnings Per Share:

The decline in revenues, net income and earnings per share is attributed to the impact of the COVID-19 pandemic on the Group.

Total Assets:

The increase in total assets is mainly attributed to an increase in fixed assets. FOCOL is transforming its business model and is venturing into energy generation due to worldwide mandates to reduce fossil fuel usage. During the year, FOCOL invested in power generation assets consisting of 16 Mega Watts (MW) of generators installed and in operation at Blue Hills and 27 MW of generators currently installed at Clifton Pier.

Total Liabilities:

The increase in total liabilities is in line with FOCOL's expansion into power generation. FOCOL funded this venture by obtaining a loan from a local bank and through the issuance of preference shares discussed further in the Liquidity and Capital Resources section.

Dividends Per Share:

FOCOL consistently paid dividends of twelve (12) cents per share for the years presented in the table above. FOCOL remains committed to ensuring that shareholders receive annual returns on their investment.

SUMMARY OF QUARTERLY RESULTS – 2021

	Q1 – 2021	Q2 – 2021	Q3 – 2021	Q4 – 2021	Total 2021
Revenues	\$52,566,888	\$60,200,017	\$86,871,930	\$89,432,856	\$289,071,691
Net Income	2,297,165	3,769,566	5,210,031	5,256,323	16,533,085
Earnings Per Share	0.02	0.03	0.04	0.04	0.13

Revenues, net income and earnings per share gradually increased from Q1 to Q4 in 2021. This trend is consistent with the gradual relaxation of the COVID-19 Orders. During Q1 (October – December 2020), the country was required to adhere to stricter inter-island and international travel restrictions, curfews and reduced working hours for non-essential services. By Q4 (July to September 2021), the Orders were significantly reduced, tourist arrivals by air and cruise ships increased, hotels and restaurants were re-opened, non-essential services resumed operations and the nightly curfews were extended from 7pm to 12am.

LIQUIDITY and CAPITAL RESOURCES

	2021	2020	2019	2018
Balance Sheet				
Cash and Cash Equivalents	\$12,576,180	\$23,238,241	\$30,781,718	\$14,302,708
Term Deposits	4,205,526	4,296,631	4,293,073	2,761,677
Bank Overdrafts	33,344,461	9,609,792	12,650	983,427
Statement of Cash Flows				
Cash from Operating Activities	32,859,456	19,828,836	46,830,459	14,044,443

High levels of cash are maintained to sustain the Group's operations. FOCOL must have sufficient cash on hand to maintain its inventory levels and to invest in new ventures. Cash is generated mainly from operating activities. The petroleum industry is volatile, and as highlighted in 2021, crude oil prices rose from \$40 per barrel at the beginning of the year to \$80 per barrel at the end of the year. Crude oil prices were at \$110 per barrel at the completion date of this MD&A.

During the year, FOCOL invested in power generation equipment financed utilizing cash from operations, bank financing and the issuance of preference shares. Bank financing was obtained via an increase in the Group's overdraft facilities. After the year-end, \$27 million of the overdraft facilities balance maintained at year-end was transferred to long-term debt. The overdraft and loan facilities bear interest at Bahamas Prime plus 0.25% or 4.50% per annum.

FOCOL also issued \$12 million in cumulative preference shares series D in May 2021. The shares mature and are repayable on June 30, 2030 and are at an annual interest rate of 6% payable semi-annually to shareholders of record on June 30 and December 30. The shares have been classified as long-term debt in the consolidated statement of financial position.

No matters have arisen up to the completion date of this MD&A that would indicate that FOCOL will be unable to meet its current financial obligations and ongoing capital project commitments.

2022 OUTLOOK

We will continue to monitor and manage new risks to our business that may impact our 2022 financial results. Mainly, global increases in crude oil prices due to the Russian led war on Ukraine, rising inflation and supply chain disruptions. Despite these new risks and the on-going risks associated with the COVID-19 pandemic, we anticipate that our financial results will continue to trend in a positive direction. With global mandates to increase the use of renewable sources of energy to lessen the impact of climate change, FOCOL will continue to explore ways to expand into this sector and to be an industry leader as the petroleum industry transforms to have a positive impact on the environment.

BOARD OF DIRECTORS



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



**ANTHONY
ROBINSON**
Deputy Chairman



**DEXTER
ADDERLEY**
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

BOARD OF DIRECTORS ANNUAL SECURITIES COMMISSION OF THE BAHAMAS CERTIFICATION

We confirm that we are familiar with the contents of the Securities Industry (Corporate Governance) Rules, 2019 and subsequent amendments (collectively referred to as 'the Rules') applicable for publicly traded companies operating within the Commonwealth of The Bahamas. We certify the following for the year ended September 30, 2021:

- a. We are performing our responsibilities and duties as outlined in the Rules.
- b. We have substantially complied with the provisions of these Rules. Areas of non-compliance will be reviewed, and if practicable for our organization, remediated accordingly.
- c. We confirm our compliance with the Group's rules of business conduct and ethics for Directors.
- d. We understand that we are ultimately responsible for the preparation and fair presentation of the financial statements for the Group. Accounting policies utilized by the Group have been reviewed and discussed with Senior Management and no changes have occurred since the prior year.
- e. No events or conditions have occurred that would cast significant doubt on the Group's ability to continue as a going concern.
- f. Risk management policies as outlined in Part IV of the Rules have been adhered to. We confirm that we are responsible for the total process of risk management and have confirmed with Senior Management that all significant risks that could have an impact on the Group's operations have been identified, reviewed and appropriate mitigating controls/actions are in place and are operating effectively.
- g. The value of non-executive director fees paid during the year was \$98,400.

CORPORATE GOVERNANCE REPORT

Duties of the Board of Directors

The Board of Directors is responsible for the overall management of the Group's operations. Listed below are the Board's main functions:

- Providing direction for the Group by clearly establishing the vision, mission and goals
- Establishing policy-based governance systems to build an environment of transparency and accountability
- Monitoring financial performance, risks, and internal controls
- Approving all material transactions including acquisitions, divestments, new financing, share transactions and dividend payments
- Protecting the Group's assets and shareholder investments
- Recruiting, supervising and evaluating senior management
- Ensuring compliance with local and international laws and regulations
- Establishing a culture of ethical behavior for the Board, senior management and employees

Board Appointments & Training

Directors are either elected annually by the shareholders at the Annual General Meeting or are appointed by the Board of Directors between Annual General Meetings, for ratification by the AGM. The Articles of Association mandate that the number of Directors shall be not less than three or more than nine in number.

New and/or prospective Board Members are invited to attend the CEO and be apprised of the focus of the company in the last 5 years. Managing Director keeps all Board Members current with the plans and prospects over the course of each year, between meetings. Board Members are made aware of their corporate responsibilities, generally, and their obligations relative to the Securities Industry.

Board Meetings and Attendance

The Board of Directors held three (3) meetings during the year. Director attendance is as follows:

Director	Number of Board Meetings Attended
Sir Franklyn Wilson	3
Anthony Robinson	3
Deborah Archer	3
S. Rosel Moxey	2
Walter Wells	3
John Bethell	3
Russell Miller	3
Bishop Neil Ellis	2
Dexter Adderley	3

Compensation of Directors

Non-executive Directors compensation totaled \$98,400 for the year.

Director's Interest in Transactions

The Articles of Association allow for Directors and Officers of the Group to contract with the Group. The Securities Industry (Corporate Governance) Rules, 2019 require the disclosure of all material contracts with Directors. For the purposes of this Rule, 'material contracts' are contracts that have a transaction value of more than two percent of the revenues of the Group. No contracts in place during the year were above the required two percent threshold for disclosure purposes.



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, 2021

The Board of Directors of FOCOL Holdings Limited (the Group) is pleased to present the audited results for the year ended September 30, 2021. Total Net and Comprehensive Income for the year ended September 30, 2021 was \$16.5 million compared to \$22.9 million for the fourteen (14) month period in the previous year.

Despite the negative impact of COVID-19 in our year-over-year earnings, Management is pleased with the effectiveness of its mitigating measures on the performance of the Group.

Furthermore, as a result of increased tourist arrivals and economic activity, there has been positive trends across all segments of the Group. Therefore, management continues to be optimistic for a full recovery to pre-pandemic results.

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, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit 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, 2021, 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 assessment of the appropriate discount rate or weighted average cost of capital and growth rate applied to cash flows. 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 changes in working 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 (discount rate, long term growth rate and the growth rate and projection over the discrete period) were scrutinized for reasonableness by performing a look back and retrospective 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 methodology, model inputs and discount rate.</p>

Other Information

Management and those charged with governance are responsible for the Other Information. The Other Information comprises all the information in the Group's 2021 Annual Report other than the consolidated financial statements and our auditors' report thereon ("the Other Information"). The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above when it becomes available and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

A handwritten signature in purple ink that reads "Deloitte & Touche". The signature is stylized, with a large, looping 'D' at the beginning.

Nassau, Bahamas
February 8, 2022

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2021

(Expressed in Bahamian dollars)

	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash (Note 5)	\$ 12,576,180	\$ 23,238,241
Term deposits (Note 5)	4,205,526	4,296,631
Accounts receivable, net (Notes 7 and 23)	41,900,195	27,623,231
Inventories (Note 6)	22,905,822	16,564,926
Prepaid expenses and sundry assets (Note 9)	3,445,162	12,125,573
Total current assets	<u>85,032,885</u>	<u>83,848,602</u>
NON-CURRENT ASSETS:		
Notes receivable, net (Note 8)	1,530,940	1,634,340
Other long-term receivables (Note 8)	7,438,000	-
Property, plant, equipment and investment property, net (Note 10)	148,265,094	102,250,648
Right of use assets, net (Notes 11 and 23)	24,370,117	25,914,387
Goodwill and intangible assets (Note 12)	12,272,165	12,761,577
Investment in associate (Note 14)	18,125,668	19,393,876
Due from associate (Note 23)	58,977	37,729
Total non-current assets	<u>212,060,961</u>	<u>161,992,557</u>
TOTAL ASSETS	<u>\$ 297,093,846</u>	<u>\$ 245,841,159</u>

(Continued)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

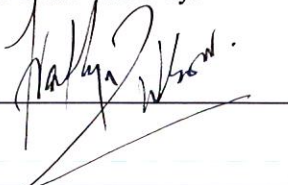
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2021 (Expressed in Bahamian dollars)

	2021	2020
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Bank overdraft (Notes 5 and 24)	\$ 33,344,461	\$ 9,609,792
Accounts payable and accrued liabilities (Notes 15, 23 and 24)	24,407,593	10,625,382
Dividends payable (Note 24)	2,006,432	-
Current portion of lease liabilities (Notes 17, 23 and 24)	4,760,295	3,826,129
Current portion of long-term debt (Notes 16 and 24)	869,725	855,323
Total current liabilities	65,388,506	24,916,626
NON-CURRENT LIABILITIES:		
Due to associate (Notes 23 and 24)	3,420,231	2,630,725
Lease liabilities (Notes 11, 17, 23 and 24)	20,772,920	23,277,804
Long-term debt (Notes 16 and 24)	3,795,492	4,463,958
Preference shares (Note 18)	11,816,875	-
Total non-current liabilities	39,805,518	30,372,487
Total liabilities	105,194,024	55,289,113
EQUITY:		
Share capital (Note 19)	83,647	83,675
Preference shares (Note 19)	500,000	500,000
Contributed capital (Note 19)	49,500,000	49,500,000
Retained earnings	141,816,175	140,468,371
Total equity	191,899,822	190,552,046
TOTAL LIABILITIES AND EQUITY	\$ 297,093,846	\$ 245,841,159

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on February 7, 2022, and are signed on its behalf by:


 Director


 Director

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED SEPTEMBER 30, 2021 (Expressed in Bahamian dollars)

	2021 (12 Months)	2020 (14 Months)
REVENUE (Note 26)	\$ 289,071,691	\$ 298,218,175
COST OF SALES (Note 23)	<u>(222,153,694)</u>	<u>(222,295,954)</u>
Gross profit	66,917,997	75,922,221
Equity income (Notes 14 and 23)	1,731,792	3,105,879
Other income (Notes 23 and 30)	5,569	4,290,750
Marketing, administrative and general expenses (Notes 20, 22, and 23)	(38,115,090)	(44,974,502)
Depreciation and amortization expense (Note 13)	(12,040,949)	(13,385,625)
Finance costs	<u>(1,966,234)</u>	<u>(1,969,677)</u>
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 16,533,085</u>	<u>\$ 22,989,046</u>
Basic and diluted earnings per share (Note 21)	<u>\$ 0.13</u>	<u>\$ 0.20</u>

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED SEPTEMBER 30, 2021

(Expressed in Bahamian dollars)

	Share Capital	Treasury Shares	Preference Shares	Contributed Capital	Retained Earnings	Total
Balance at July 31, 2019	\$ 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 19)	(68)	283,778	-	(283,710)	-	-
Common shares purchased and cancelled (Note 19)	(489)	-	-	(2,054,165)	(140,929)	(2,195,583)
Common share dividends: \$0.12 per share (Note 19)	-	-	-	-	(12,089,116)	(12,089,116)
Preference share dividends (Note 19)	-	-	-	-	(3,000,000)	(3,000,000)
Balance at September 30, 2020, as previously reported	83,675	-	500,000	49,500,000	140,236,402	190,320,077
Adjustment for application of IFRS 16 practical expedient (Note 11)	-	-	-	-	231,969	231,969
Balance at September 30, 2020, as restated	83,675	-	500,000	49,500,000	140,468,371	190,552,046
Total comprehensive income	-	-	-	-	16,533,085	16,533,085
Common shares purchased and cancelled (Note 19)	(28)	-	-	-	(141,373)	(141,401)
Common share dividends: \$0.12 per share (Note 19)	-	-	-	-	(12,043,908)	(12,043,908)
Preference share dividends (Note 19)	-	-	-	-	(3,000,000)	(3,000,000)
Balance at September 30, 2021	<u>\$ 83,647</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 49,500,000</u>	<u>\$ 141,816,175</u>	<u>\$ 191,899,822</u>

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2021

(Expressed in Bahamian dollars)

	2021 (12 Months)	2020 (14 Months)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	\$ 16,533,085	\$ 22,989,046
Adjustments for:		
Depreciation and amortization expense (Note 13)	12,040,949	13,385,625
Equity income from associate (Note 14)	(1,731,792)	(3,105,879)
Loss on disposals of property, plant and equipment, net	2,166,020	293,625
Income from operations before working capital changes	29,008,262	33,562,417
(Increase) decrease in accounts receivable, net	(14,276,964)	6,371,783
Decrease (increase) in prepaid expenses and sundry assets	8,680,411	(7,694,132)
(Increase) decrease in inventories	(6,340,896)	1,509,995
Increase (decrease) in accounts payable and accrued liabilities	15,788,643	(13,921,227)
Net cash from operating activities	32,859,456	19,828,836
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in term deposits	91,105	(3,558)
Decrease (increase) in notes receivable	103,400	(1,634,340)
Increase in other long-term receivables	(7,438,000)	-
Dividends from associate (Note 14)	3,000,000	-
Proceeds from disposal of property, plant and equipment	30,405	649
Purchase of property, plant, equipment and investment property (Note 10)	(54,665,716)	(19,338,223)
Purchase of intangible assets (Note 12)	(108,707)	(9,095)
(Increase) decrease in due from associate	(21,248)	105,583
Increase in due to associate	789,506	1,865,735
Net cash used in investing activities	(58,219,255)	(19,013,249)

(Continued)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2021

(Expressed in Bahamian dollars)

	2021 (12 Months)	2020 (14 Months)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	\$ -	\$ 5,000,000
Proceeds from preference share issuance	11,816,875	-
Repayment of long-term debt	(654,064)	(591,136)
Repayment of lease liabilities	(5,014,433)	(5,080,371)
Repurchase of ordinary shares (Note 19)	(141,401)	(2,195,583)
Common share dividends paid	(12,043,908)	(12,089,116)
Preference share dividends paid	<u>(3,000,000)</u>	<u>(3,000,000)</u>
Net cash used in financing activities	<u>(9,036,931)</u>	<u>(17,956,206)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,396,730)	(17,140,619)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,628,449</u>	<u>30,769,068</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (20,768,281)</u>	<u>\$ 13,628,449</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF THE FOLLOWING:		
Cash	\$ 12,576,180	\$ 23,238,241
Bank overdraft	<u>(33,344,461)</u>	<u>(9,609,792)</u>
	<u>\$ (20,768,281)</u>	<u>\$ 13,628,449</u>
SUPPLEMENTAL INFORMATION:		
Interest paid on bank overdraft and loans	<u>\$ 660,345</u>	<u>\$ 215,504</u>
Interest received	<u>\$ 5,569</u>	<u>\$ 5,905</u>

(Concluded)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(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 year ended September 30, 2021 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 BTCi, AIST-TCI and Sun Oil-TCI, which are incorporated under the laws of the Turks and Caicos Islands.

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

In the prior year, 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 for the prior year are for the fourteen-month period from August 1, 2019 to September 30, 2020 and are not comparable with the current 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 October 1, 2020. 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)
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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 4	Extension of the Temporary Exemption from applying IFRS 9
IFRS 10	Consolidated Financial Statements
IFRS 17	Insurance Contracts
IAS 1	Classification of Liabilities as Current or Non-current (amendments)
IAS 8	Definition of accounting estimates (amendments)
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction
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

Conceptual Framework 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 and right of use assets

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 annually or when indicators of impairment are present. 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); and
- 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, 2021, the Group's financial assets at amortized cost includes cash, term deposits, and accounts receivable, net, notes receivable 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, dividends payable, long-term debt and preference shares.

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, long-term debt and preference shares.

Derecognition

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

l. Leases

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); and
- 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, right-of-use assets 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 applied the practical expedient to rent concessions received during the current period.

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.

- 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. Preference Shares liability** - Preference shares liability are measured at amortized cost using the effective interest method. The Series D preference shares do not transfer equity interest and/or voting rights to the holder of the security and guarantees returns on investments on a semi-annual basis.
- p. Dividends** - Dividends are recognized as a liability in the period in which they are declared.
- q. 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.

- r. ***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.

- s. ***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.

- t. ***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.

- u. ***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.

- v. ***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.

- w. **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.
- x. **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.
- y. **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.

z. **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. In making their judgment, the Group considered that the relevant activities of BTCI are controlled through the management agreement with a marine management company.

Given the nature and terms of the management agreement, it was determined that the relationship was established whereby the marine management company is a principal acting on its behalf as described in IFRS 10. Therefore, it was determined that the Group does not have control as they do not have the ability to direct the relevant activities, thereby making BTCI an investment in associate.

- c. *Provision for bad debts*** - Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. There are certain instances where the estimate of the likelihood of default is assessed as \$Nil, resulting in no expected credit losses.
- 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-terms 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 (2020: \$2,769,209). The short-term deposits have maturity dates of up to six months with an interest rate of 0.55% (2020: interest rate of 0.55%) per annum.

Term deposit of \$1,110,210 (2020: \$1,510,500) 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% (2020: 2%) per annum.

Term deposits totaling \$309,158 (2020: \$Nil) with a bank in the Turks and Caicos Islands. The term deposits are for a period of one year at interest rates ranging from 0.16% - 0.18%.

Term deposit of \$16,949 (2020: \$16,922) with a local bank. The term deposit is for a one year period with an interest rate of 0.16% (2020: 0.16%).

The Group has available to it the following overdraft facilities:

Facility 1 represents a combined overdraft facility of \$10,100,000 (2020: \$10,100,000). This combined facility bears interest at Bahamas Prime plus 1.00% or 5.25% (2020: Bahamas Prime plus 1.00% or 5.25%) per annum; at September 30, 2021, the balance was \$8,315,194 (2020: \$5,221,904).

Facility 2 represents an overdraft facility of \$27,150,000 (2020: \$7,893,544) which bears interest at Bahamas Prime plus 0.25% or 4.50% per annum; at September 30, 2021, the balance was \$25,029,267 (2020: \$4,387,888).

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:

	2021	2020
Gasoil - diesel	\$ 9,419,158	\$ 5,543,778
Gasoline - unleaded	8,454,977	6,138,410
Propane	1,969,467	1,216,662
Lube oil	1,331,454	1,770,605
Other	1,108,203	1,194,960
Jet fuel	322,751	324,407
Parts and tanks	299,812	376,104
	<u>\$ 22,905,822</u>	<u>\$ 16,564,926</u>

Management has determined that no allowance for obsolete inventory is necessary. During the year, inventories totaling \$Nil (2020: \$Nil) 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:

	2021	2020
Accounts receivable - trade	\$ 35,130,246	\$ 19,991,261
Other receivables	10,366,761	10,531,269
	45,497,007	30,522,530
Less: allowance for expected credit loss	(3,596,812)	(2,899,299)
	<u>\$ 41,900,195</u>	<u>\$ 27,623,231</u>

The movement in the allowance for expected credit losses is as follows:

	2021	2020
At beginning of year	\$ 2,899,299	\$ 3,078,043
Expected credit loss	697,513	409,101
Write-offs	-	(587,845)
At end of year	<u>\$ 3,596,812</u>	<u>\$ 2,899,299</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, 2021 can result in an increase or decrease in the allowance for ECL by \$518,875 (2020: \$305,225).

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.

(Continued)

The ageing of receivables is as follows:

	2021	2020
Current	\$ 23,184,153	\$ 19,222,790
31 - 60 days	7,305,462	2,144,119
61 - 90 days	3,407,187	956,653
Over 90 days	<u>11,600,205</u>	<u>8,198,968</u>
	<u>\$ 45,497,007</u>	<u>\$ 30,522,530</u>

Included in accounts receivable are balances totaling \$18,716,042 (2020: \$8,400,442) which are past due but not impaired.

(Concluded)

8. NOTES RECEIVABLE, NET AND OTHER LONG-TERM RECEIVABLES

Notes receivable, net

Notes receivable, net consists of the following:

	2021	2020
Notes receivable	\$ 1,659,718	\$ 2,142,379
Less: allowance for expected credit loss	<u>(128,778)</u>	<u>(508,039)</u>
	<u>\$ 1,530,940</u>	<u>\$ 1,634,340</u>

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

	2021	2020
Balance, beginning of year	\$ 508,039	\$ -
(Reversal of) expected credit loss	<u>(379,261)</u>	<u>508,039</u>
Balance, end of year	<u>\$ 128,778</u>	<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 2021 can result in an increase or decrease in the allowance for ECL by \$16,597 (2020: \$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.

Other long-term receivables

Other long-term receivables consist of value added tax ("VAT") amounts due from The Bahamas Government. The balance of \$7,438,000 (2020: \$Nil) are interest free and unsecured. Management has not assessed an expected credit loss on the amounts outstanding.

9. PREPAID EXPENSES AND SUNDRY ASSETS

Prepaid expenses include advances and deferred expenses of \$1,104,960 (2020: \$1,837,399) 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	Equipment	Computer, Furniture, Fixtures and Fencing Equipment	Storage Facilities	Vehicles	Liquid Petroleum Gas Plant	Construction In-Progress	Total
COST/VALUATION:									
Balance at July 31, 2019	\$ 22,375,630	\$ 29,712,334	\$ 24,989,945	\$ 4,173,738	\$ 50,322,594	\$ 9,984,959	\$ 726,295	\$ 6,436,726	\$ 148,722,221
Additions	2,635,649	179,251	598,724	291,260	59,831	364,057	-	15,209,451	19,338,223
Disposals and transfers in (out)	-	805,189	800,523	(3,929)	679,675	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	51,062,100	12,249,050	726,295	17,035,149	167,630,908
Additions	2,361,088	102,439	161,504	61,349	329,270	184,403	-	51,465,663	54,665,716
Disposals and transfers in (out)	-	953,318	34,466,514	55,677	785,354	(320,900)	-	(39,197,916)	(3,257,953)
Balance at September 30, 2021	\$ 27,372,367	\$ 31,752,531	\$ 61,017,210	\$ 4,578,095	\$ 52,176,724	\$ 12,112,553	\$ 726,295	\$ 29,302,896	\$ 219,038,671
ACCUMULATED DEPRECIATION:									
Balance at July 31, 2019	\$ -	\$ 10,338,467	\$ 14,942,032	\$ 3,249,377	\$ 23,071,748	\$ 6,346,091	\$ 726,295	\$ -	\$ 58,674,010
Depreciation	-	903,786	2,350,225	334,270	2,267,643	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	25,339,391	7,276,893	726,295	-	65,380,260
Depreciation	-	805,248	1,978,318	317,358	2,351,684	1,002,237	-	-	6,454,845
Disposals	-	(72,399)	(8,738)	(8,410)	(718,526)	(253,455)	-	-	(1,061,528)
Balance at September 30, 2021	\$ -	\$ 11,962,219	\$ 19,194,502	\$ 3,892,337	\$ 26,972,549	\$ 8,025,675	\$ 726,295	\$ -	\$ 70,773,577
CARRYING VALUE:									
As at September 30, 2021	\$ 27,372,367	\$ 19,790,312	\$ 41,822,708	\$ 685,758	\$ 25,204,175	\$ 4,086,878	\$ -	\$ 29,302,896	\$ 148,265,094
As at September 30, 2020	\$ 25,011,279	\$ 19,467,404	\$ 9,164,270	\$ 877,680	\$ 25,722,709	\$ 4,972,157	\$ -	\$ 17,035,149	\$ 102,250,648

The Group capitalized \$536,880 (2020: \$182,379) of borrowing costs during the year.

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
Adjustment	<u>-</u>	<u>-</u>	<u>(588,562)</u>	<u>(588,562)</u>
Balance at September 30, 2020	1,544,465	1,182,798	33,638,851	36,366,114
Additions	<u>-</u>	<u>-</u>	<u>2,392,570</u>	<u>2,392,570</u>
Balance at September 30, 2021	<u>\$ 1,544,465</u>	<u>\$ 1,182,798</u>	<u>\$ 36,031,421</u>	<u>\$ 38,758,684</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	421,276	233,594	9,796,857	10,451,727
Charge for the year	194,463	107,812	4,685,710	4,987,985
Adjustment	<u>-</u>	<u>-</u>	<u>(1,051,145)</u>	<u>(1,051,145)</u>
Balance at September 30, 2021	<u>\$ 615,739</u>	<u>\$ 341,406</u>	<u>\$ 13,431,422</u>	<u>\$ 14,388,567</u>
CARRYING VALUE:				
As at September 30, 2021	<u>\$ 928,726</u>	<u>\$ 841,392</u>	<u>\$ 22,599,999</u>	<u>\$ 24,370,117</u>
As at September 30, 2020	<u>\$ 1,123,189</u>	<u>\$ 949,204</u>	<u>\$ 23,841,994</u>	<u>\$ 25,914,387</u>

The Group leases several assets including land, buildings and vessels. The lease terms range from eighteen (18) months to forty (40) years. Certain leases have expired and are on an evergreen basis (i.e. the leases are automatically renewed until proper notice of cancellation by either party). 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

	2021	2020
Depreciation expense on right-of-use assets	<u>\$ 4,987,985</u>	<u>\$ 5,738,098</u>
Interest expense on lease liabilities	<u>\$ 1,352,627</u>	<u>\$ 1,754,173</u>
Expenses relating to short-term leases	<u>\$ 518,312</u>	<u>\$ 661,648</u>
Expenses relating to variable lease payments not included in the measurement of the lease liability	<u>\$ 192,356</u>	<u>\$ 247,974</u>

(Continued)

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:

	2021	2020
Fixed payments	\$ 89,398	\$ 100,907
Variable payments	<u>192,356</u>	<u>247,974</u>
	<u>\$ 281,754</u>	<u>\$ 348,881</u>

The total cash outflows for leases amounted to \$5,926,980 (2020: \$6,834,544).

In the current year, the Group applied the practical expedient available for rent concessions received related to a vessel leased from a related party. The adjustment of accumulated depreciation relates to the reassessment of balances due to the rent concessions applied during the period.

The impact of the IFRS 16 practical expedient is as follows:

Retained earnings	<u>\$ (231,969)</u>
Right-of-use assets	<u>\$ (588,562)</u>
Lease liability	<u>\$ 820,531</u>

(Concluded)

12. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	2021	2020
Goodwill	\$ 10,858,568	\$ 10,858,568
Intangible assets	<u>1,413,597</u>	<u>1,903,009</u>
	<u>\$ 12,272,165</u>	<u>\$ 12,761,577</u>

Goodwill consists of the following:

	2021	2020
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 (2020: \$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 (2020: \$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 11.5% per annum (2020: 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% (2020: 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 14.5% (2020: 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% (2020: 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.

Intangible assets

Intangible assets consist of the following:

	2021	2020
Trademark license	\$ 4,080,000	\$ 4,080,000
Computer software	1,732,768	1,624,061
Less: accumulated amortization	<u>(4,399,171)</u>	<u>(3,801,052)</u>
	<u>\$ 1,413,597</u>	<u>\$ 1,903,009</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 \$112,404 (2020: \$126,015).

13. DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense consists of the following:

	2021	2020
Depreciation of property, plant and equipment	\$ 6,454,845	\$ 6,841,511
Amortization of trademark license and computer software	598,119	806,016
Depreciation of right of use assets	<u>4,987,985</u>	<u>5,738,098</u>
	<u>\$ 12,040,949</u>	<u>\$ 13,385,625</u>

14. INVESTMENT IN ASSOCIATE

Investment in associate consist of the following:

	Interest Held	2021	2020
BTCI Tankers Ltd.	60.00%	<u>\$ 18,125,668</u>	<u>\$ 19,393,876</u>

Total movement in investment in associate is as follows:

	2021	2020
Balance, beginning of year	\$ 19,393,876	\$ 16,287,997
Dividends	(3,000,000)	-
Equity income	<u>1,731,792</u>	<u>3,105,879</u>
Balance, end of period	<u>\$ 18,125,668</u>	<u>\$ 19,393,876</u>

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2021	2020
Trade payables	\$ 22,297,434	\$ 8,276,167
Accrued liabilities	<u>2,110,159</u>	<u>2,349,215</u>
	<u>\$ 24,407,593</u>	<u>\$ 10,625,382</u>

16. LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
Bank loan	\$ 4,243,618	\$ 4,664,187
Note payable	<u>421,599</u>	<u>655,094</u>
	4,665,217	5,319,281
Less: current portion	<u>869,725</u>	<u>855,323</u>
	<u>\$ 3,795,492</u>	<u>\$ 4,463,958</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. During the period September 2014 to July 2019 drawdowns totaled \$15 million. The \$15 million facility was repaid during 2019.

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 (2020: \$51,819).

The note payable of \$2,000,000 (2020: \$2,000,000) is unsecured at an interest rate of 6.00% over a 10-year term, repayable in monthly installments of \$22,204 (2020: \$22,204).

17. LEASE LIABILITIES

	2021	2020
Current	\$ 4,760,295	\$ 3,826,129
Non-Current	<u>20,772,920</u>	<u>23,277,804</u>
	<u>\$ 25,533,215</u>	<u>\$ 27,103,933</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. PREFERENCE SHARES

During May 2021, the Group issued \$12 million cumulative preference shares series D. The shares mature and are repayable on June 30, 2030, and have been classified as long-term debt in the consolidated statement of financial position.

Key attributes of preference D shares are as follows:

- a. Early redemption* - The Group may not redeem these shares prior to the third anniversary date. After the third anniversary date, the Group may redeem these shares in whole or in part by providing 90 days' written notice to the holders of the shares.
- b. Dividends* - Preference share dividends are payable to shareholders of record on June 30 and December 30 at an annual interest rate of 6%.
- 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, the shareholders will have the right to redeem at par value.
- d. Ranking* - The shares will rank in respect to the payment of dividends and payments upon liquidation equally, with any other preference shares maintained by the Group and senior to the Group's Common Shares.
- e. No equity ownership or voting rights* - Holders do not have equity ownership or voting rights.

The preference shares are recorded at fair value less transaction costs at initial recognition. At September 30, 2021 the balance was \$11,816,875 (2020: \$Nil). Transaction costs are amortized over the life of the shares using the effective interest method.

19. SHARE CAPITAL

	2021	2020
<u>Common Shares</u>		
<i>Authorized:</i>		
480,000,000 shares of \$.0008 each		
(2020: 480,000,000 shares of \$.0008 each)	\$ 400,000	\$ 400,000
<i>Issued and fully paid:</i>		
100,321,599 shares of \$.0008 each		
(2020: 100,356,879 shares of \$.0008 each)	\$ 83,647	\$ 83,675

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

	2021	2020
Balance at beginning of year	100,356,879	100,968,529
Common shares purchased during the year	(35,280)	(611,650)
Balance at end of year	100,321,599	100,356,879

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

<u>Repurchase Date</u>	<u>Total Shares</u>	<u>Price Per Share</u>	<u>Total Consideration</u>	<u>Cancellation Date</u>
September 29, 2021	5,600	\$ 3.93	\$ 22,573	September 29, 2021
September 29, 2021	10,000	3.97	40,105	September 29, 2021
September 29, 2021	18,480	3.96	73,925	September 29, 2021
September 29, 2021	1,200	3.95	4,798	September 29, 2021
	<u>35,280</u>		<u>\$ 141,401</u>	

Common share dividends are made payable to shareholders of record as at December 31, March 31, June 30 and September 30 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, 2021.

Treasury shares

During the period, the Group acquired and cancelled 35,280 (2020: 611,650) of its own common shares at a total cost of \$141,401 (2020: \$2,197,035) and as such, these shares are not reflected in treasury shares. The Group also cancelled 84,966 shares held as treasury shares in the prior year.

(Continued)

	2021	2020
<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		
(2020: 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		
(2020: 50,000,000 shares of \$.01 each)	<u>\$ 500,000</u>	<u>\$ 500,000</u>

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

	2021	2020
Balance at beginning of year	50,000,000	50,000,000
Issued and fully paid during the year	<u>-</u>	<u>-</u>
Balance at end of year	<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.

(Continued)

- 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:

	2021	2020
Common shares	\$ -	\$ -
Preference shares	<u>49,500,000</u>	<u>49,500,000</u>
	<u>\$ 49,500,000</u>	<u>\$ 49,500,000</u>

(Concluded)

20. MARKETING, ADMINISTRATIVE AND GENERAL EXPENSES

Marketing, administrative and general expenses are comprised of:

	2021	2020
Salaries and benefits	\$ 13,631,839	\$ 16,250,972
Insurance	5,623,803	5,038,078
Repairs and maintenance	4,289,694	4,874,462
Shipping and delivery	3,589,691	4,274,895
License registrations	2,668,764	3,394,883
Trademark and related fees	1,304,571	2,087,643
Fuel inspection	1,177,792	577,392
Utilities	1,102,351	1,303,243
Professional fees	933,155	982,933
Rent	711,446	909,622
Communications	709,103	1,119,307
Miscellaneous	631,740	1,036,845
Advertising	464,336	890,542
Expected credit losses	318,252	917,140
Bank charges	251,688	234,593
Office expenses	243,581	268,768
Customer service	120,015	126,599
Consulting fees	99,000	123,750
Non-executive Directors' fees	98,400	114,800
Donations	78,451	143,233
Travel expenses	67,418	304,802
	<u>\$ 38,115,090</u>	<u>\$ 44,974,502</u>

21. EARNINGS PER SHARE

The calculation of basic earnings per share at September 30, 2021 was based on net comprehensive income attributable to ordinary shareholders of the Group totaling \$13,241,682 (2020: \$19,989,046) and weighted average number of ordinary shares outstanding during the year ended September 30, 2021 of 100,356,782 (2020: 100,607,620), are calculated as follows:

	2021	2020
Net income for the year	\$ 16,533,085	\$ 22,989,046
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>\$ 13,533,085</u>	<u>\$ 19,989,046</u>
Weighted average number of ordinary shares, end of year	<u>100,356,782</u>	<u>100,607,620</u>
Basic and diluted earnings per share	<u>\$ 0.13</u>	<u>\$ 0.20</u>

22. PENSION PLANS

The Group through its subsidiaries, has two (2) (2020: 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% (2020: 5%). Employer contributions vest after five years. The plans are administered by independent third parties. Combined contributions for the period for both plans were \$511,647 (2020: \$607,607).

23. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances and transactions were as follows:

	2021	2020
<i>Related party balances:</i>		
Accounts receivable	\$ 99,237	\$ 77,408
Due from associate	\$ 58,977	\$ 37,729
Accounts payable and accrued liabilities	\$ 4,351,917	\$ 2,643,402
Due to associate	\$ 3,420,231	\$ 2,630,725
Right of use assets	\$ 19,872,235	\$ 24,305,775
Lease liabilities	\$ 20,990,611	\$ 25,691,510
<i>Related party transactions:</i>		
Other income	\$ -	\$ 4,274,448
Equity income	\$ 1,731,792	\$ 3,105,879
Shipping and delivery	\$ 2,657,996	\$ 3,364,953
Cost of sales	\$ 4,185,425	\$ 5,960,127
Non-executive Directors' fees	\$ 98,400	\$ 114,800
Insurance premiums	\$ 5,687,756	\$ 5,084,452
Professional fees	\$ 809,691	\$ 582,398
Lease payments	\$ 5,601,398	\$ 6,424,566
<i>Compensation of key management personnel:</i>		
Salaries and short-term benefits	\$ 2,426,919	\$ 2,698,437
Post employment benefits	273,550	273,550
Consulting fees	99,000	123,750
	\$ 2,799,469	\$ 3,095,737

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

24. 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:

	2021			
	Carrying Amount	0-12 months	1-5 years	Greater than 5 years
Bank overdraft	\$ 33,344,461	\$ 33,344,461	\$ -	\$ -
Accounts payable	24,407,593	24,407,593	-	-
Dividends payable	2,006,432	2,006,432	-	-
Due to associate	3,420,231	-	3,420,231	-
Lease liability	25,533,215	4,760,295	15,618,710	5,154,210
Long-term debt	4,665,217	869,725	3,282,842	512,650
Preference shares	11,816,875	-	-	11,816,875
Total financial liabilities	\$ 105,194,024	\$ 65,388,506	\$ 22,321,783	\$ 17,483,735

	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

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 2020.

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.

25. 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, 2021 to December 31, 2021. 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.

26. 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 \$661,461 (2020: \$755,584).

The maturity analysis of operating lease receipts are as follows:

	2021	2020
Within one year	\$ 623,796	\$ 724,784
After one year but no more than five years	<u>2,609,441</u>	<u>2,609,441</u>
	<u>\$ 3,233,237</u>	<u>\$ 3,334,225</u>

27. CONTINGENT LIABILITIES

The Group is contingently liable for customs bonds of \$1,305,000 (2020: \$1,305,000) and has standby letters of credit of \$36,680,000 (2020: \$32,292,112).

28. 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.

29. 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, YEAR ENDED SEPTEMBER 30, 2021

STATEMENT OF COMPREHENSIVE INCOME

	Retail	Wholesale	Utility Services	Eliminations	Consolidated
REVENUE:					
External sales	\$ 65,052,470	\$ 221,192,258	\$ 2,826,963	\$ -	\$ 289,071,691
Intersegment sales	-	262,971,850	-	(262,971,850)	-
	<u>65,052,470</u>	<u>484,164,108</u>	<u>2,826,963</u>	<u>(262,971,850)</u>	<u>289,071,691</u>
RESULT:					
Segment result	<u>1,541,169</u>	<u>16,136,446</u>	<u>988,910</u>	<u>(172,775)</u>	<u>18,493,750</u>
Income from operations	1,541,169	16,136,446	988,910	(172,775)	18,493,750
Interest income	5,569	-	-	-	5,569
Finance costs	(90,037)	(1,530,611)	(345,586)	-	(1,966,234)
Unallocated other income	-	-	-	-	-
PROFIT AND COMPREHENSIVE					
INCOME FOR THE YEAR	<u>\$ 1,456,701</u>	<u>\$ 14,605,835</u>	<u>\$ 643,324</u>	<u>\$ (172,775)</u>	<u>\$ 16,533,085</u>

STATEMENT OF FINANCIAL POSITION

ASSETS:					
Segment assets	\$ 38,311,342	\$ 289,508,441	\$ 60,512,449	\$ (91,238,386)	\$ 297,093,846
Unallocated corporate assets	-	-	-	-	-
TOTAL ASSETS	<u>\$ 38,311,342</u>	<u>\$ 289,508,441</u>	<u>\$ 60,512,449</u>	<u>\$ (91,238,386)</u>	<u>\$ 297,093,846</u>
LIABILITIES:					
Segment liabilities	\$ 16,862,132	\$ 147,945,220	\$ 30,000,512	\$ (89,613,840)	\$ 105,194,024
Unallocated corporate liabilities	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ 16,862,132</u>	<u>\$ 147,945,220</u>	<u>\$ 30,000,512</u>	<u>\$ (89,613,840)</u>	<u>\$ 105,194,024</u>

OTHER INFORMATION

ASSETS:					
Capital additions	<u>\$ 635,310</u>	<u>\$ 5,832,242</u>	<u>\$ 48,198,164</u>	<u>\$ -</u>	<u>\$ 54,665,716</u>

(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	\$ 246,249,187	\$ 17,549,659	\$ (60,257,701)	\$ 245,841,159
Unallocated corporate assets	-	-	-	-	-
TOTAL ASSETS	<u>\$ 42,300,014</u>	<u>\$ 246,249,187</u>	<u>\$ 17,549,659</u>	<u>\$ (60,257,701)</u>	<u>\$ 245,841,159</u>
LIABILITIES:					
Segment liabilities	\$ 4,690,868	\$ 100,352,100	\$ 9,052,075	\$ (58,805,930)	\$ 55,289,113
Unallocated corporate liabilities	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ 4,690,868</u>	<u>\$ 100,352,100</u>	<u>\$ 9,052,075</u>	<u>\$ (58,805,930)</u>	<u>\$ 55,289,113</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>

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)

30. OTHER INCOME

During the prior period, 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.

31. SUBSEQUENT EVENTS

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

1. 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, 2021, payable on December 10, 2021.
 - ii. Ordinary dividend of 3 cents per share to all shareholders on record at December 31, 2021, payable on January 12, 2022.
 - b) ***Preference Shareholders:***
 - i. Semi-annual dividend of 6.00% (Prime + 1.75%), to Class B Preference Shareholders on record at October 15, 2021, payable by October 29, 2021.
 - ii. Semi-annual dividend of 6.00% (Prime + 1.75%), to Class A and C Preference Shareholders on record at December 31, 2021, payable by January 14, 2022.
 - iii. Semi-annual dividend of 6.00% to Class D Preference Shareholders on record at December 30, 2021, payable by December 31, 2021.
2. In November 2021, \$27,150,000 of overdraft facilities maintained with a local bank and included in the consolidated statement of financial position at September 30, 2021 were transferred to long-term debt.
3. The Group approved the merger and consolidation of O.R. Services Limited and Sun Services Limited into a new and wholly-owned subsidiary incorporated during the year.

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