

# THE SUCCESSION RELAY

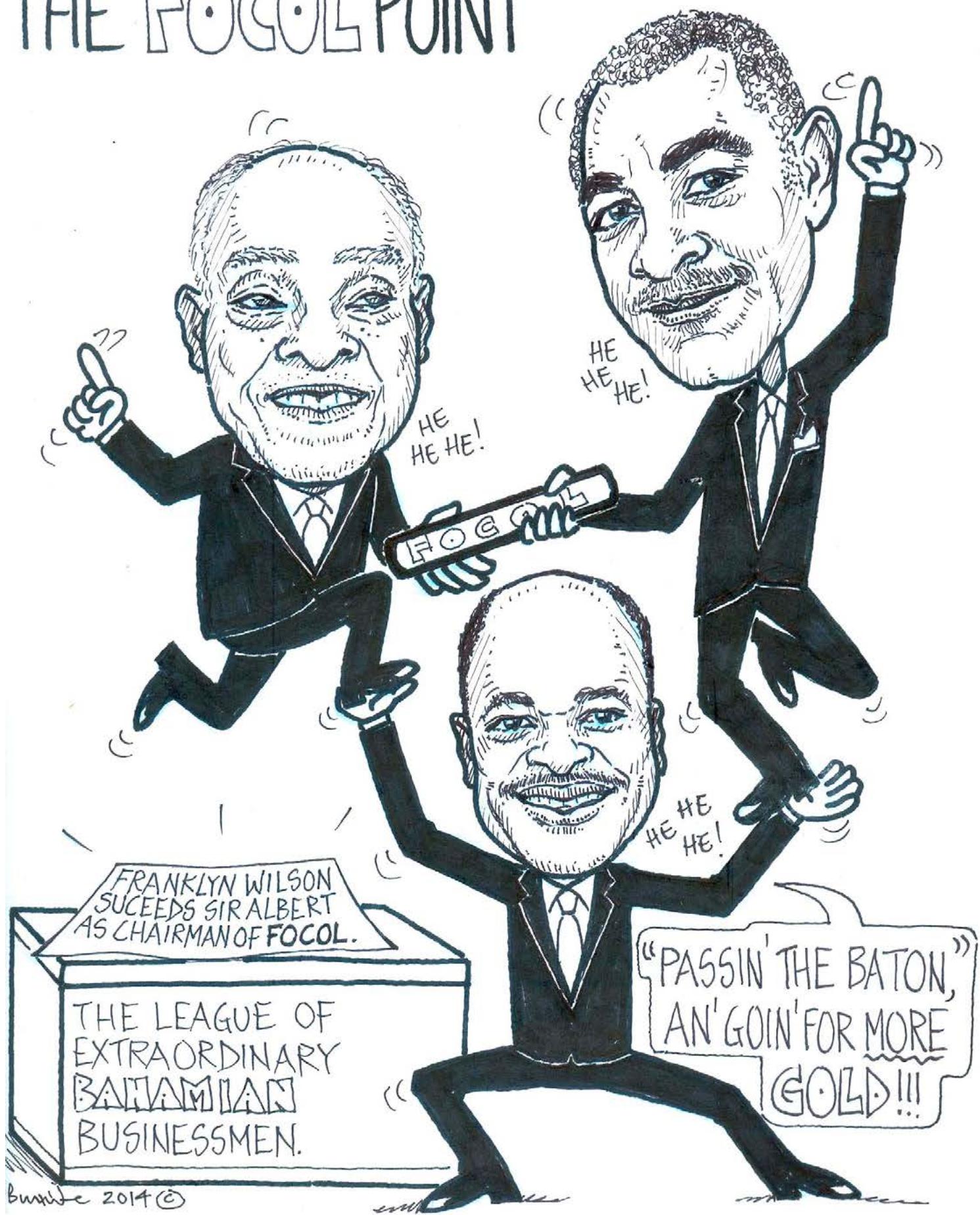


FOCOL  
ANNUAL REPORT '14

# 2014

FOCOL ANNUAL REPORT

# THE FOCOL POINT





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# THE BATON PASSES

A Legendary Chairman is succeeded by Another of Great Ability.

Quality and success of leadership in any aspect of life and society can be compared to a relay race. Each runner has but one leg to travel, only so much space and energy to complete his or her trajectory. To put together the team, to place high in the rankings or win the race, all the runners must believe in teamwork and all it implies. They must share vision, determination, skill, commitment and mutual respect. The team must strategically position each runner along the course consistent with individual abilities. FOCOL has amply demonstrated its appreciation for this process, especially in its choice of leaders and has reaped the attendant rewards.

This past financial year recorded a major transition in the leadership of FOCOL Holdings. Sir Albert Miller, a Bahamian legend in business and Chairman of the FOCOL Board of Directors, entered a well-deserved retirement and passed on the leadership baton to another Bahamian legend. At his demission from office, Sir Albert was the recipient of many sincere tributes from fellow Board members, FOCOL management and staff and the wider world of business, and deservedly so. He had led the company for a quarter of a century. He became President of FOCOL Holdings in 1989. When the governance structure of the company instituted the role of chairman, it was he to whom the mantle was accorded.

The twenty-five years of Sir Albert's tenure of leadership were remarkably fruitful. During this period, FOCOL prepared for and was listed as a public company on the Bahamas International Stock Exchange (BISX). The assets of Shell in The Bahamas and the Turks & Caicos were acquired, in 2006 resulting in FOCOL becoming the largest petroleum distributor in The Bahamas and Turks & Caicos Islands.

However, to appreciate the depth of Sir Albert's value to FOCOL and to the homeland he loves so dearly and has served as police officer in the early days of his professional life, several times as chairman of Grand Bahama Port Authority and as FOCOL's long-time leader, one has to appreciate that FOCOL's ascendancy and continued growth would hardly have been possible without his faith in fellow Bahamians of like character, his belief in establishing a strong management team and in ensuring a leadership succession of peerless quality. Sir Albert's closing remarks will always resonate with FOCOL's Management and Staff, "When well intentioned people come together they can achieve great things."

On March 26, 2014, Sir Albert passed the baton of leadership to another accomplished Bahamian, Franklyn R. Wilson, CMG, whose intellectual gifts and business prowess made him a legend while he was still quite young.

Moreover, with his depth and breadth of skill and experience in financial services and business, it can be said with confidence that FOCOL's good fortune in leadership continues. With the successful baton passing, the company is emboldened to seek even higher heights for the continued profitability of the company. As from the beginning, FOCOL's gains will rebound to benefit hundreds of FOCOL shareholders and employees in The Bahamas and Turks & Caicos. Mr. Wilson can count on the FOCOL family and affiliates for its undivided support of his chairmanship.

# BOARD OF DIRECTORS



**Franklyn R. Wilson, CMG**  
Chairman



**Anthony Robinson**  
President & CEO



**Caryl A.E. Lashley**  
Corporate Secretary



**Alfred B. Coakley**  
Director



**Deborah S.A. Archer**  
Director



**S. Rosel Moxey**  
Director



**Russell Miller**  
Director



**Walter Wells**  
Director



**John Bethell**  
Director

# CORPORATE INFORMATION

## **REGISTRAR AND TRANSFER AGENT**

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

## **AUDITORS**

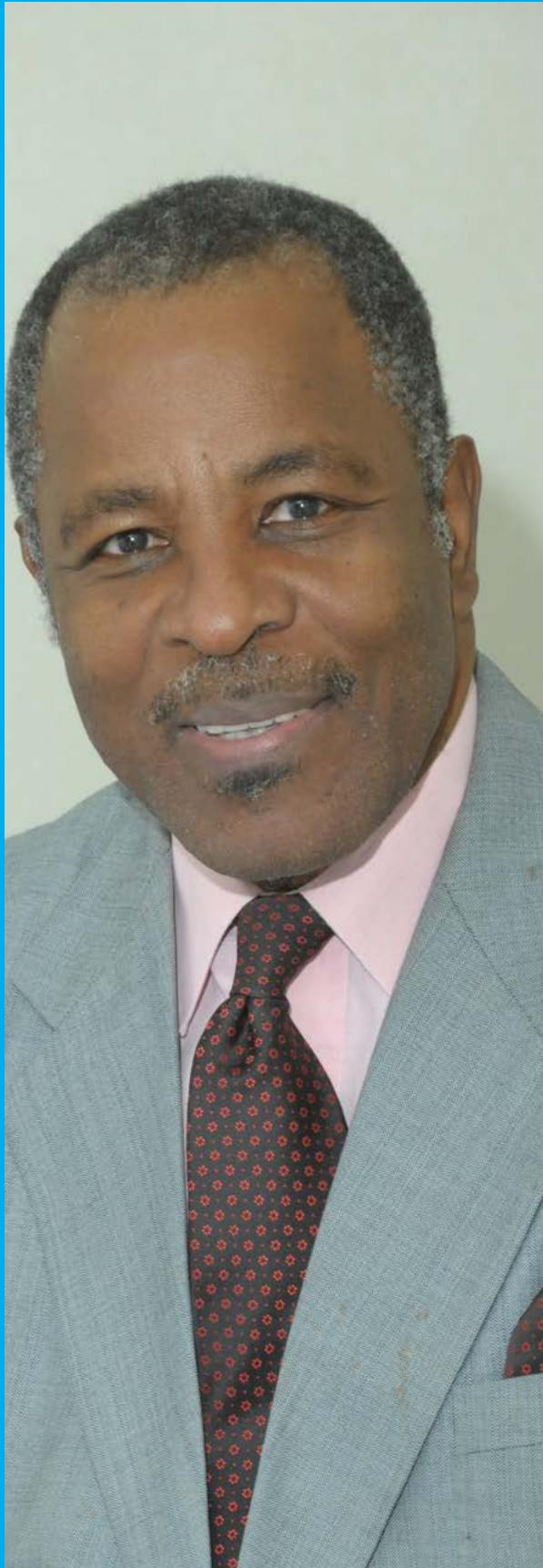
Deloitte & Touche  
2nd Terrace West, Centreville  
P.O. Box N7120  
Nassau, The Bahamas  
Tel: 242.302.4800  
Fax: 242.322.3101

## **COUNSEL AND ATTORNEYS**

Dupuch & Turnquest & Co.  
#308 East Bay Street  
P.O. Box N8181  
Nassau, The Bahamas  
Tel: 242.393.2226  
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



# FOCOL HOLDINGS LIMITED

# CHAIRMAN'S REPORT

## FOR THE YEAR ENDED JULY 31, 2014

This was truly a year of change for Focol Holdings Limited (FOCOL).

In terms of corporate governance, there was significant change at the Board of Directors level. Sir Albert Miller, stepped down as Chairman and retired as a Director. We are pleased that he accepted an appointment as Chairman Emeritus, a position of honor but also a formal means via which we continue to benefit from his wisdom.

Additionally, Mr Maitland Cates and Mrs. Emil Symonette retired as Directors. We create this formal record of appreciation for their long and effective service.

At the same time we welcome three new directors - Mr Russell Miller, Mr John Bethell, and Mr Walter Wells. Each is well known to the capital markets and has earned a reputation which conforms to the core values of the company.

Beyond corporate governance, there were other changes which contributed materially to the audited results for the year ended July 31, 2014 being \$10.67 million compared to \$16.20 million last fiscal year. Particularly impactful were changes in the tax environment, changes to the application of certain rules of accounting and changes in the operating environment.

At the same time certain fundamentals have not changed. Chief among these is management's determination to work diligently to improve operational efficiencies during this time of transformation in our industry and indeed, the wider Bahamian economy. This determination has led to the design of certain infrastructural improvements which are intended to build on the strengths of the company and with proper execution will auger well for both our customers and our company.

The Board of Directors thanks our loyal customers, and dedicated staff for their efforts which allowed the company to sustain its volume of business, at levels of the prior year. We also thank shareholders and other stakeholders for the continued confidence.

A handwritten signature in black ink, appearing to read "Franklyn R. Wilson". The signature is fluid and cursive, with a horizontal line underneath it.

Franklyn R Wilson, CMG



Deloitte & Touche  
Chartered Accountants  
and Management Consultants  
2nd Terrace, Centreville.  
P.O. Box N-7120  
Nassau, Bahamas

Tel: +1 242 302 4800  
Fax: +1 242 322-3101  
<http://www.deloitte.com>

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
FOCOL Holdings Limited:

We have audited the consolidated financial statements of FOCOL Holdings Limited (the "Company") which comprise the consolidated statement of financial position as of July 31, 2014 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### **Auditors' responsibility**

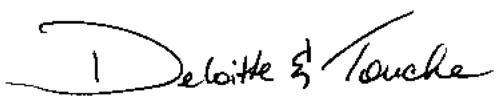
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FOCOL Holdings Limited as of July 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Deloitte & Touche". The "D" is stylized with a small circle above it, and the "&" is a simple horizontal line with a dot in the center.

November 26, 2014

## FOCOL HOLDINGS LIMITED

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JULY 31, 2014

(Expressed in Bahamian dollars)

	<b>2014</b>	<b>2013</b>		
	<b>(Restated, Note 24)</b>			
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and bank balances (Notes 5 and 24)	\$ 11,880,686	\$ 16,119,393		
Accounts receivable, net (Notes 7 and 24)	24,447,458	23,040,530		
Notes receivable, net (Note 8)	23,013	150,187		
Inventories (Notes 6 and 24)	37,269,605	35,773,282		
Investments (Note 9)	255,000	275,000		
Prepaid expenses and sundry assets (Notes 10 and 24)	<u>3,934,000</u>	<u>2,869,616</u>		
Total current assets	<u>77,809,762</u>	<u>78,228,008</u>		
NON-CURRENT ASSETS:				
Property, plant and equipment, net (Notes 12 and 24)	77,970,929	76,414,506		
Goodwill and intangible assets (Notes 11, 13 and 24)	14,938,568	14,938,568		
Investment in associate (Notes 15 and 24)	7,381,838	6,435,592		
Due from associate (Notes 23 and 24)	<u>71,539</u>	<u>58,139</u>		
Total non-current assets	<u>100,362,874</u>	<u>97,846,805</u>		
TOTAL ASSETS	<u>\$ 178,172,636</u>	<u>\$ 176,074,813</u>		

*(Continued)*

See notes to consolidated financial statements.

**FOCOL HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF JULY 31, 2014**  
*(Expressed in Bahamian dollars)*

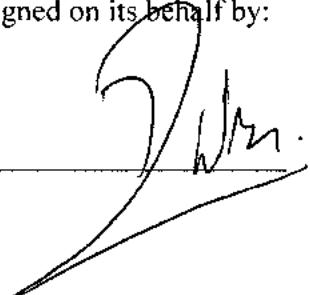
	<b>2014</b>	<b>2013</b> (Restated, Note 24)
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Bank overdraft (Note 5)	\$ 7,925,437	\$ 4,825,829
Accounts payable and accrued liabilities (Notes 16 and 24)	40,125,413	40,708,208
Dividends payable	1,701,444	1,701,449
Current portion of long-term debt (Notes 11 and 17)	<u>379,794</u>	<u>357,225</u>
Total current liabilities	50,132,088	47,592,711
<b>NON-CURRENT LIABILITY:</b>		
Long-term debt (Notes 11 and 17)	<u>3,826,565</u>	<u>4,206,355</u>
Total liabilities	<u>53,958,653</u>	<u>51,799,066</u>
<b>EQUITY:</b>		
Share capital (Note 19)	85,072	85,072
Preference shares (Note 19)	500,000	500,000
Contributed capital (Note 19)	54,729,450	54,729,450
Revaluation surplus (Note 18)	1,194,689	1,221,039
Retained earnings (Note 24)	<u>67,704,772</u>	<u>67,740,186</u>
Total equity	<u>124,213,983</u>	<u>124,275,747</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 178,172,636</u></b>	<b><u>\$ 176,074,813</u></b>

*(Concluded)*

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on November 26, 2014, and are signed on its behalf by:

Director




Director

**FOCOL HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED JULY 31, 2014**

*(Expressed in Bahamian dollars)*

	<b>2014</b>	<b>2013</b>
	<b>(Restated, Note 24)</b>	
REVENUE	\$ 380,108,510	\$ 379,858,165
COST OF SALES	<u>(325,537,268)</u>	<u>(324,204,795)</u>
Gross profit	54,571,242	55,653,370
Equity income (Notes 15 and 24)	946,246	1,008,040
Other income	12,930	10,758
Marketing, administrative and general expenses (Notes 20 and 24)	(40,438,938)	(36,961,585)
Depreciation and amortization expense (Notes 14 and 24)	(3,718,125)	(3,124,474)
Finance costs (Note 24)	(678,760)	(300,573)
Unrealized loss on investments (Note 9)	<u>(20,000)</u>	<u>(86,000)</u>
NET AND COMPREHENSIVE INCOME	<u><u>\$ 10,674,595</u></u>	<u><u>\$ 16,199,536</u></u>
Basic and diluted earnings per share (Note 21)	<u><u>\$ 0.31</u></u>	<u><u>\$ 0.47</u></u>

See notes to consolidated financial statements.

**FOCOL HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED JULY 31, 2014**

*(Expressed in Bahamian dollars)*

	<u>Share Capital</u>	<u>Preference Shares</u>	<u>Contributed Capital</u>	<u>Revaluation Surplus</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at July 31, 2012	\$ 85,072	\$ 500,000	\$ 54,729,450	\$ 1,247,389	\$ 62,250,675	\$ 118,812,586
Transfer from revaluation surplus (Note 18)	-	-	-	(26,350)	26,350	-
Comprehensive income	-	-	-	-	16,199,536	16,199,536
Common share dividends: \$0.22 per share (Note 19)	-	-	-	-	(7,486,375)	(7,486,375)
Preference share dividends (Note 19)	-	-	-	-	(3,250,000)	(3,250,000)
Balance at July 31, 2013	85,072	500,000	54,729,450	1,221,039	67,740,186	124,275,747
Transfer from revaluation surplus (Note 18)	-	-	-	(26,350)	26,350	-
Comprehensive income	-	-	-	-	10,674,595	10,674,595
Common share dividends: \$0.22 per share (Note 19)	-	-	-	-	(7,486,359)	(7,486,359)
Preference share dividends (Note 19)	-	-	-	-	(3,250,000)	(3,250,000)
Balance at July 31, 2014	<u>\$ 85,072</u>	<u>\$ 500,000</u>	<u>\$ 54,729,450</u>	<u>\$ 1,194,689</u>	<u>\$ 67,704,772</u>	<u>\$ 124,213,983</u>

See notes to consolidated financial statements.

## FOCOL HOLDINGS LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED JULY 31, 2014 (Expressed in Bahamian dollars)

	<b>2014</b>	<b>2013</b> <b>(Restated, Note 24)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 10,674,595	\$ 16,199,536
Adjustments for:		
Depreciation and amortization expense (Note 14)	3,718,125	3,124,474
Equity income from associate (Note 15)	(946,246)	(1,008,040)
Unrealized loss on investments	20,000	86,000
Loss on disposals of property, plant and equipment, net	<u>557,518</u>	<u>30,385</u>
Income from operations before working capital changes	14,023,992	18,432,355
Increase in accounts receivable, net	(1,406,928)	(1,762,944)
Increase in prepaid expenses and sundry assets	(1,082,780)	(177,903)
Increase in inventories	(1,496,323)	(5,982,372)
(Decrease) increase in accounts payable and accrued liabilities	<u>(582,795)</u>	<u>2,920,869</u>
Net cash from operating activities	<u>9,455,166</u>	<u>13,430,005</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net cash outflow on acquisition of subsidiary (Note 11)	-	(1,205,716)
Decrease (increase) in notes receivable	127,174	(545,148)
Dividends received from associate (Note 15)	-	2,400,000
Purchase of property, plant and equipment (Note 12)	(5,813,670)	(8,312,451)
Increase in due from associate	<u>(13,400)</u>	<u>(13,400)</u>
Net cash used in investing activities	<u>(5,699,896)</u>	<u>(7,676,715)</u>

*(Continued)*

See notes to consolidated financial statements.

**FOCOL HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED JULY 31, 2014**

*(Expressed in Bahamian dollars)*

	<b>2014</b>	<b>2013 (Restated, Note 24)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Common share dividends paid	\$ (7,486,364)	\$ (7,486,375)
Repayment of long-term debt	(357,221)	(68,089)
Preference share dividends	<u>(3,250,000)</u>	<u>(3,250,000)</u>
Net cash used in financing activities	<u>(11,093,585)</u>	<u>(10,804,464)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,338,315)</b>	<b>(5,051,174)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>11,293,564</u></b>	<b><u>16,344,738</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 3,955,249</u></b>	<b><u>\$ 11,293,564</u></b>
<b>CASH AND CASH EQUIVALENTS IS COMPRISED OF THE FOLLOWING:</b>		
Cash and bank balances	\$ 11,880,686	\$ 16,119,393
Bank overdraft	<u>(7,925,437)</u>	<u>(4,825,829)</u>
	<b><u>\$ 3,955,249</u></b>	<b><u>\$ 11,293,564</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid on bank overdraft and loans	<u>\$ 678,760</u>	<u>\$ 300,573</u>
Interest received	<u>\$ 12,930</u>	<u>\$ 10,759</u>

*(Concluded)*

See notes to consolidated financial statements.

## **FOCOL HOLDINGS LIMITED**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JULY 31, 2014**

*(Expressed in Bahamian dollars)*

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#### **1. INCORPORATION AND ACTIVITY**

FOCOL Holdings Limited (the “Company”) is incorporated under the laws of The Commonwealth of The Bahamas. The consolidated financial statements of the Company for the year ended July 31, 2014 comprise the Company and its subsidiaries (together referred to as the “Company”). The Company 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, a management service company for several service stations in New Providence;
- Freeport Oil Holdings Investments Limited (“FOHIL”) and its wholly-owned subsidiaries, Sun Oil Limited (“Sun Oil”), a wholesaler of fuel and related products operating in The Bahamas; and Sun Oil Turks and Caicos Limited, a wholesaler of fuel and related products operating in the Turks and Caicos Islands. Sun Oil also operates through its 60% voting interest in BTCI Tankers Limited (“BTCI”) (an investment in 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 (JO) 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; and
- Sun Utilities Company Limited, a company developed to provide utility services at a later date.
- Atlantic International Supply & Trading Limited, a wholesaler of petroleum products.

Except for BTCI, which is incorporated under the laws of the Turks and Caicos Islands, all of the subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas.

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

## **2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on August 1, 2013. The adoption of the following standards and interpretations has not led to any changes in the Company’s accounting policies:

IAS 1	Presentation of Financial Statements (amendments)
IAS 16	Property, Plant, and Equipment (amendments)
IAS 19	Employee Benefits (amendments)
IAS 24	Related Party Disclosures (amendments)
IAS 27	Consolidated and Separate Financial Statements (amendments)
IAS 32	Financial Instruments: Presentation (amendments)
IAS 36	Impairment of Assets (amendments)
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement (amendments)
IFRS 7	Financial Instruments: Disclosures (amendments)

### ***New and revised Standards on consolidation, joint arrangements, associates and disclosures***

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements (amendments)
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement (amendments)

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*.

IFRS 10 replaces the part of IAS 27 *Consolidated and Separate Financial Statements* that deals with financial statements and SIC 12 *Consolidation - Special Purpose Entities*. It prescribes one basis for consolidation based on the presence of all three elements of control at the date of initial application.

Based on the changes in the standard the Company has reported its interest in BTCI Tankers Ltd as an investment in associate using the equity method in accordance with IAS 28, *Investment in Associates*. It was determined that the relevant activities of BTCI Tankers Ltd are not controlled by the Company due to the contractual management agreement. Accordingly, 2013 financial statements have been restated to reflect the changes in the standard. The quantitative results of these changes are reflected in Note 24.

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

IAS 16	Property, Plant, and Equipment (amendments)
IAS 19	Employee Benefits (amendments)
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements (amendments)
IAS 32	Financial Instruments: Presentation (amendments)
IAS 36	Impairment of Assets (amendments)
IAS 39	Financial Instruments: Recognition and Measurement (amendments)
IFRS 7	Improving Disclosures about Financial Instruments (amendments)
IFRS 9	Financial Instruments: Classification and Measurement (amendments)
IFRS 10	Consolidated Financial Statements (amendments)
IFRS 11	Joint Arrangements (amendments)
IFRS 13	Fair Value Measurement (amendments)
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The Directors anticipate that the Company 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** - These 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 Company and its wholly-owned subsidiaries, and have been prepared under the historical cost convention, except for the revaluation of certain property, plant and equipment and financial instruments.

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 Company'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 Company, entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- 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 Company 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 Company 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 Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company 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 Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

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

- d. Cash and cash equivalents** - Cash and cash equivalents comprise cash balances, call and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.
- e. Accounts receivable** - Accounts receivable are stated at cost less allowance for doubtful accounts (Note 7) and any impairment losses (Note 3 (i)).
- f. Investments** - Investments are recognized on a trade date basis and are initially measured at cost. Investments are classified as fair value through profit or loss and are stated at fair value, with any resultant gain or loss recognized in the consolidated statement of comprehensive income. The fair value of such investments is the quoted bid price at the date of the consolidated statement of financial position.

Investments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- g. 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.

- h. Property, plant and equipment** - Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 3(i)) except for certain of the Company's land, buildings, building improvements and equipment, which are stated at their appraised values with subsequent additions at cost. 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 and equipment is recorded on the straight-line basis with the following rates of depreciation:

Buildings and improvements	2½%
Equipment	12½ - 20%
Computer, furniture, fixtures and fencing equipment	20 - 33½%
Storage facilities	5%
Vehicles	20%
Liquid petroleum gas plant	5%

*i.* **Impairment** - Fixed assets, accounts receivable 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.

Fixed 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.

Accounts receivable

The recoverable amount of receivables is calculated as the total amount of expected collections. The receivables are of a short-term duration and therefore, the expected future cash collections are not discounted.

Intangible assets

Goodwill and trademark licenses are tested for impairment on an annual basis. Determining whether goodwill and trademark licenses are impaired requires an estimation of the value in use of the cash-generating units to which such assets have been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

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

The Company as lessee

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

- k. 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 upon acquisition.
- l. Accounts payable and accrued liabilities** - Accounts payable and accrued liabilities are stated at cost.
- m. Dividends** - Dividends are recognized as a liability in the period in which they are declared.
- n. Revenue recognition** - Revenue is recognized in the consolidated statement of comprehensive income when significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.
- o. Employee benefits** - The Company 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.
- p. Provisions** - A provision is recognized in the consolidated statement of financial position when the Company 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.
- q. 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 Company 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 Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Company'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.

**r.** **Foreign currency translation** - The Company's functional currency is Bahamian dollars. In preparing the consolidated financial statements of the Company, 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.

**s.** **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.

**t.** **Segment reporting** - A segment is a distinguishable component of the Company 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.

**u.** **Investment in associate** - An associate is an entity over which the Company 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 incorporated 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 Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interest that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses.

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

v. **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 (plus 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. The Company defines related parties as fellow subsidiaries, directors and officers and their close family members and enterprises which are controlled by these individuals through their majority shareholding or their role as chairman or CEO in those companies;
- vi. Enterprises owned by the individuals described in (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 Company'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 Company's consolidated financial statements and related disclosure must be estimated, requiring the Company 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 Company'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 Company 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 Company has made significant investments in tangible and intangible assets. These assets and investments are tested for impairment when circumstances indicate there may be potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; 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; significant negative industry or economic trends; 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. Depreciation and amortization** - Depreciation and amortization is based on management's estimate of the useful lives of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors that may result in changes in their estimated useful lives.

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

**d. Business combinations** - Business combinations are required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. For larger acquisitions, the Company engages independent third-party appraisal firms to assist in determining the fair value of the assets acquired and liabilities assumed. Such valuations require management to make estimates and assumptions for significant purchases. These purchases of intangible assets recorded by the Company include customer contracts, brands, trademark and other licenses, and service concession rights.

Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from these estimates.

**e. Legal proceedings, claims and regulatory discussions** - The Company is subject to various legal proceedings, claims and regulatory discussions, the outcomes of which are subject to significant uncertainty. The Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Company to increase or decrease the amount the Company has accrued for any matter, or accrue for a matter that has not been previously accrued for because it was not considered probable, or a reasonable estimate could not be made.

**f. Provision for bad debts** - To cover any shortfall from trade receivables, the Company records a provision for bad debts based on historical information and on estimates with regard to the solvency of customers. Unexpected financial problems of major customers could lead to the recorded provision being inadequate.

## **5. CASH AND CASH EQUIVALENTS**

FOHIL has short-term deposits with local banks totaling \$3,410,040 (2013: \$7,793,288), with interest rates of 2.50% to 3.00% (2013: 2.50% to 4.00%) per annum.

FOHIL has an overdraft facility up to \$10,000,000 (2013: \$5,000,000) with a local bank which bears interest at Bahamas Prime plus 1.00% or 5.75% (2013: Bahamas Prime plus 1.00% or 5.75%) per annum; at July 31, 2014, the balance was \$7,234,737 (2013: \$4,825,829). The overdraft is secured by a guarantee and postponement of claim by the Company, a fixed charge over FOHIL assets, and assignment of insurance proceeds.

FOCOL has available to it, an overdraft facility of \$2,500,000. This overdraft facility bears interest at Bahamas Prime plus 1% per annum; at July 31, 2014, the balance was \$682,226 (2013: \$Nil). The overdraft is secured by a guarantee and postponement of claim for \$3,000,000 from FOCOL Holdings Limited, which is supported by the usual directors' resolution, as well as a fixed and floating charge debenture over the assets of FOCOL and all risk insurance, together with appropriate insurance on FOCOL's Oil Tank Farm, stamped to secure \$6,000,000, with the loss payee being Royal Bank of Canada.

Boulevard has available to it, an overdraft facility of \$100,000. This overdraft facility bears interest at Bahamas Prime plus 1.50% (2013: Bahamas Prime plus 1.50%) per annum; at July 31, 2014, the balance was \$8,474 (2013: \$Nil). This overdraft facility is secured by a fixed and floating charge debenture over the assets of Boulevard and all risk insurance with loss payee being CIBC FirstCaribbean International Bank.

## 6. INVENTORIES

Inventories consist of the following:

	<b>2014</b>	<b>2013</b>
Gasoil - diesel	\$ 18,077,288	\$ 18,727,575
Gasoline - unleaded	11,977,451	10,385,733
Lube oil	4,552,952	3,173,574
Propane	1,548,386	2,400,356
Other	593,151	673,284
Parts and tanks	<u>520,377</u>	<u>412,760</u>
	<u><u>\$ 37,269,605</u></u>	<u><u>\$ 35,773,282</u></u>

## 7. ACCOUNTS RECEIVABLE, NET

Accounts receivable consists of the following:

	<b>2014</b>	<b>2013</b>
Accounts receivable - trade	\$ 24,156,524	\$ 22,532,473
Other receivables	<u>1,387,938</u>	<u>1,513,887</u>
	<u><u>25,544,462</u></u>	<u><u>24,046,360</u></u>
Less: allowance for doubtful accounts	<u>(1,097,004)</u>	<u>(1,005,830)</u>
	<u><u>\$ 24,447,458</u></u>	<u><u>\$ 23,040,530</u></u>

The movement in allowance for doubtful accounts is as follows:

	<b>2014</b>	<b>2013</b>
At beginning of year	\$ 1,005,830	\$ 1,468,018
Bad debts for the year (Note 20)	235,243	430,258
Write-offs	(140,286)	(65,864)
Recoveries	<u>(3,783)</u>	<u>(826,582)</u>
At end of year	<u><u>\$ 1,097,004</u></u>	<u><u>\$ 1,005,830</u></u>

*(Continued)*

The ageing of receivables is as follows:

	<b>2014</b>	<b>2013</b>
Current	\$ 21,250,019	\$ 22,306,753
31 - 60 days	2,190,581	323,098
61 - 90 days	725,491	53,371
Over 90 days	<u>1,378,371</u>	<u>1,363,138</u>
	<u><u>\$ 25,544,462</u></u>	<u><u>\$ 24,046,360</u></u>

Included in accounts receivable are balances totaling \$3,197,439 (2013: \$733,777) which are past due but not considered impaired.

*(Concluded)*

## **8. NOTES RECEIVABLE, NET**

During 2012, a major credit customer defaulted on its original promissory agreement owing \$35,514 at year end. During 2013, the customer became delinquent in the amount of \$135,128. This delinquent balance combined with the remainder of the original note balance was converted to a new promissory note. The terms of the note require the customer to pay the Company in 58 weekly installments of \$3,000 at 2.50% interest beginning June 2013. Due to several irregular payments, the note was subsequently paid in full in September, 2014.

## **9. INVESTMENTS**

Investments are considered Level 1 investments and consist of the following:

	<b>2014</b>	<b>2013</b>
	<b>Market</b>	<b>Market</b>
	<b>Value</b>	<b>Value</b>
ICD Utilities Limited:		
50,000 ordinary shares at par value of B\$0.10		
(cost \$600,000)	<u><u>\$ 255,000</u></u>	<u><u>\$ 275,000</u></u>

## **10. PREPAID EXPENSES AND SUNDAY ASSETS**

Prepaid expenses include advances and other deferred expenses of \$2,707,067 (2013: \$1,216,434) to be fully amortized during the subsequent fiscal year.

Sundry assets include a contract premium of \$29,134 (2013: \$47,534) being amortized over the life of the contract, and deferred costs of \$1,112,099 (2013: \$1,254,951) on an insurance policy with a related party in-force to March 2015 (2013: March 2014).

## 11. MAJOR ACQUISITIONS

By agreement on May 31, 2013, the Company acquired all the outstanding shares of Boulevard for \$3,243,439. The purchase was partially funded by a \$2 million loan with a term of 10 years with an interest rate of 6.00% per annum.

	<b>2013</b>
As at May 31, 2013:	
Cash from working capital/operating results	\$ 1,222,291
Loan - Note payable at (6%)	2,000,000
Liabilities assumed	<u>21,148</u>
Total consideration transferred	<u><u>\$ 3,243,439</u></u>

Recognized amounts of identifiable assets acquired and liabilities assumed:

Property, plant and equipment	\$ 3,121,962
Inventory	40,933
Receivables	39,124
Cash	16,575
Prepaid expenses	5,458
Total accounts payable and liabilities	<u>(3,097,494)</u>
Total identifiable net assets	<u><u>\$ 126,558</u></u>

The total consideration paid exceeds the total identifiable net assets by \$3,116,881, which is considered goodwill. The fair value of the financial assets acquired includes receivables for goods provided on credit with a fair value of \$39,124. The gross amount due under the contract is \$39,124, all of which is deemed collectible.

Prior to acquisition, the Company held a note receivable from the previous owner of Boulevard in respect of goods provided. This amount was previously recognized as an asset in the consolidated statement of financial position and was fully provided for. The Company settled the receivable balance which offset the purchase price at the time of acquisition of Boulevard.

Acquisition-related costs (included in marketing, administrative and general expenses in the Company's consolidated statement of comprehensive income for the year ended July 31, 2014 amounted to \$446,213 (2013: \$203,036).

## 12. PROPERTY, PLANT AND EQUIPMENT, NET

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

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Computer, Furniture, Fixtures and Fencing Equipment</u>	<u>Storage Facilities</u>	<u>Vehicles</u>	<u>Liquid Petroleum Gas Plant</u>	<u>Construction In-Progress</u>	<u>Total</u>
<b>COST/VALUATION:</b>									
Balance at July 31, 2012	\$ 16,124,752	\$ 19,324,069	\$ 8,155,453	\$ 1,865,168	\$ 26,385,131	\$ 4,481,988	\$ 726,295	\$ 12,530,185	\$ 89,593,041
Additions	2,688,461	8,109	186,891	171,870	390,311	202,992	-	4,663,817	8,312,451
Acquisitions (Note 11)	511,924	2,610,038	-	-	-	(75,916)	-	-	3,121,962
Disposals and transfers out	-	-	-	-	-	(75,916)	-	-	(75,916)
Balance at July 31, 2013	19,325,137	21,942,216	8,342,344	2,037,038	26,775,442	4,609,064	726,295	17,194,002	100,951,538
Additions	357,578	39,980	201,094	54,061	668,403	461,016	-	4,031,538	5,813,670
Disposals and transfers in (out)	-	3,217,648	476,456	52,262	4,611,331	320,824	-	(9,257,260)	(578,739)
Balance at July 31, 2014	\$ 19,682,715	\$ 25,199,844	\$ 9,019,894	\$ 2,143,361	\$ 32,055,176	\$ 5,390,904	\$ 726,295	\$ 11,968,280	\$ 106,186,469
<b>ACCUMULATED DEPRECIATION:</b>									
Balance at July 31, 2012	\$ -	\$ 3,472,647	\$ 4,525,407	\$ 1,462,100	\$ 8,698,681	\$ 2,609,500	\$ 708,154	\$ -	\$ 21,476,489
Depreciation (Note 24)	-	502,075	745,532	148,693	1,255,363	446,636	7,775	-	3,106,074
Disposals	-	-	-	-	-	(45,531)	-	-	(45,531)
Balance at July 31, 2013	-	3,974,722	5,270,939	1,610,793	9,954,044	3,010,605	715,929	-	24,537,032
Depreciation	-	537,817	637,949	160,000	1,851,724	504,464	7,775	-	3,699,729
Disposals	-	-	-	-	-	(21,221)	-	-	(21,221)
Balance at July 31, 2014	\$ -	\$ 4,512,539	\$ 5,908,888	\$ 1,770,793	\$ 11,805,768	\$ 3,493,848	\$ 723,704	\$ -	\$ 28,215,540
<b>CARRYING VALUE:</b>									
As at July 31, 2014	\$ 19,682,715	\$ 20,687,305	\$ 3,111,006	\$ 372,568	\$ 20,249,408	\$ 1,897,056	\$ 2,591	\$ 11,968,280	\$ 77,970,929
As at July 31, 2013	\$ 19,325,137	\$ 17,967,494	\$ 3,071,405	\$ 426,245	\$ 16,821,398	\$ 1,598,459	\$ 10,366	\$ 17,194,002	\$ 76,414,506

### **13. INTANGIBLE ASSETS**

Intangible assets consist of the following:

	<b>2014</b>	<b>2013</b>
Trademark license	\$ 4,080,000	\$ 4,080,000
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>
 Total intangible assets	 <u>\$ 14,938,568</u>	 <u>\$ 14,938,568</u>

#### **Goodwill, net**

Additional goodwill of \$3,116,881 arose from the acquisition of Boulevard because the cost of the combination included a premium (Note 11).

Management has tested all goodwill for impairment and determined that there was no impairment to the carrying value of goodwill during 2014.

#### **Trademark License**

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

Effective July 2011, FOHIL extended the trademark license agreement with SOHL for a further five years. The new agreement provides for a revision and recalculation of the rates after five years, but states “The Parties may at any time extend the License term for a further period of five (5) years whether on the same commercial terms as at the commencement date or otherwise.” As a result, the useful life of the intangible asset is indeterminable and considered indefinite.

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.

Should FOHIL’s ownership change, the rights, obligations and cost of the Trademark License would pass to new owners at the amount initially paid, provided the seller remained compliant with the agreement to the time of sale. Any measurable goodwill determined to have accrued in respect to the use of the license will be for the benefit of the licensor (SOHL). The Company cannot assign, sub-contract or otherwise transfer ownership to any third party.

Provided FOHIL remains compliant and SOHL continues as a going concern with the associated brand prestige, the asset is not expected to diminish in value. Should FOHIL make a judgment to discontinue the use of the Shell brand, consequently, the asset would be determined to be less valuable and would be either eliminated or reduced in value depending on the extent of its continued use after such judgment is made.

#### **14. DEPRECIATION AND AMORTIZATION EXPENSE**

Depreciation and amortization expense consists of the following:

	<b>2014</b>	<b>2013</b>
Depreciation of property, plant and equipment (Note 12)	\$ 3,699,729	\$ 3,106,074
Amortization of deferred contract premium (Note 10)	<u>18,396</u>	<u>18,400</u>
	<u><u>\$ 3,718,125</u></u>	<u><u>\$ 3,124,474</u></u>

#### **15. INVESTMENT IN ASSOCIATE**

Investment in associate consists of the following:

	<b>Interest Held</b>	<b>2014</b>	<b>2013</b>
BTCI Tankers Ltd.	60.00%	<u><u>\$ 7,381,838</u></u>	<u><u>\$ 6,435,592</u></u>

*Key figures for the 60% owned Company are as follows:*

	<b>2014</b>	<b>2013</b>
Revenues	<u><u>\$ 5,014,641</u></u>	<u><u>\$ 4,939,933</u></u>
Expenses	<u><u>\$ 3,437,564</u></u>	<u><u>\$ 3,259,866</u></u>
Current assets	<u><u>\$ 3,314,658</u></u>	<u><u>\$ 1,765,024</u></u>
Non-current assets	<u><u>\$ 9,075,644</u></u>	<u><u>\$ 9,061,866</u></u>
Current liabilities	<u><u>\$ 87,239</u></u>	<u><u>\$ 100,904</u></u>

*Total movement in investment in associate is as follows:*

	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 6,435,592	\$ 7,827,551
Dividends paid	-	(2,400,000)
Equity income	<u><u>946,246</u></u>	<u><u>1,008,040</u></u>
Balance, end of year	<u><u>\$ 7,381,838</u></u>	<u><u>\$ 6,435,592</u></u>

## 16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	<b>2014</b>	<b>2013</b>
Trade payables	\$ 38,347,953	\$ 39,178,503
Accrued liabilities	<u>1,777,460</u>	<u>1,529,705</u>
	<u><u>\$ 40,125,413</u></u>	<u><u>\$ 40,708,208</u></u>

## 17. LONG-TERM DEBT

Long-term debt is comprised of the following:

	<b>2014</b>	<b>2013</b>
Bank loan of \$2,631,669 at 6.25% interest, repayable in equal monthly installments of \$30,095	\$ 2,382,882	\$ 2,588,040
Note payable of \$2,000,000 at 6.00% interest, repayable in equal monthly installments of \$22,204	<u>1,823,477</u>	<u>1,975,540</u>
	4,206,359	4,563,580
Less: current portion	<u>379,794</u>	<u>357,225</u>
	<u><u>\$ 3,826,565</u></u>	<u><u>\$ 4,206,355</u></u>

The bank loan is secured by a registered first fixed and floating charge debenture over the assets of the Company, supported by Directors' Resolution. The assets are further secured by an all-risk insurance with loss, if any, payable to the bank, including appropriate coverage on storage facilities and total coverage of \$3,600,000.

The note payable is unsecured with a fixed term of repayment.

## 18. REVALUATION SURPLUS

The fixed assets of FOCOL are stated at cost, net of accumulated depreciation, except for certain land, buildings, building improvements and equipment, which are recorded at appraised values as at July 13, 1990, on the basis of an appraisal as of that date, performed by an independent appraiser, net of accumulated depreciation. The value of the land was determined using the market data approach. The values of the buildings, building improvements and equipment were determined using the cost approach.

The difference between depreciation based on the revalued carrying amount and depreciation based on the assets' original cost is transferred annually from revaluation surplus to retained earnings over the estimated life of the assets.

## 19. SHARE CAPITAL

	<b>2014</b>	<b>2013</b>
<b><u>Common Shares</u></b>		
<i>Authorized:</i>		
160,000,000 shares of \$.0025 each (2013: 160,000,000 of \$.0025)	\$ 400,000	\$ 400,000
<i>Issued and fully paid:</i>		
34,028,878 shares of \$.0025 each (2013: 34,028,878 of \$.0025)	<u>\$ 85,072</u>	<u>\$ 85,072</u>

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

	<b>2014</b>	<b>2013</b>
Balance at beginning of year	34,028,878	34,028,878
Common shares purchased and cancelled during the year	-	-
Balance at end of year	<u>34,028,878</u>	<u>34,028,878</u>

*(Continued)*

Common share dividends are made payable to shareholders of record as at October 31, January 31, April 30 and July 31 of each year within 10 business days of the record date or such other period as stipulated by the Directors from time to time.

	<b>2014</b>	<b>2013</b>
<b><u>Preference Shares</u></b>		
<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		
(2013: 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		
(2013: 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:

	<b>2014</b>	<b>2013</b>
Balance at beginning of year	50,000,000	50,000,000
Issued and fully paid during the year	-	-
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 Company reserves the right to retire these securities at any date, if it is deemed to be in the Company'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 June 6, 2011, the Bahamas Prime Lending Rate changed to 4.75% resulting in an effective rate of 6.5%. 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 Company liquidates, dissolves, winds up or sells more than 51% of the value of the Company's assets other than in the ordinary course of the Company'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 Company's Common Shares and (2) subordinate to any debentures, debt obligations, or vendor claims against the Company.
- 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:

	<b>2014</b>	<b>2013</b>
Common shares	\$ 5,229,450	\$ 5,229,450
Preference shares	<u>49,500,000</u>	<u>49,500,000</u>
	<u><u>\$ 54,729,450</u></u>	<u><u>\$ 54,729,450</u></u>

*(Concluded)*

## 20. MARKETING, ADMINISTRATIVE AND GENERAL EXPENSES

Marketing, administrative and general expenses are comprised of:

	<b>2014</b>	<b>2013</b>
Salaries and benefits (Note 23)	\$ 12,562,336	\$ 11,221,718
Shipping and delivery (Note 23)	8,098,658	7,763,446
Repairs and maintenance	4,258,756	3,669,167
Insurance (Note 23)	3,382,873	3,394,672
License registrations	3,137,152	1,393,985
Utilities	1,389,918	1,293,641
Fees paid to affiliates (Note 23)	1,270,003	1,113,841
Professional fees (Note 23)	1,191,766	941,070
Rent	1,014,803	1,099,735
Fuel inspection	922,246	1,017,045
Miscellaneous	890,900	663,348
Advertising	805,974	761,091
Communications	374,736	315,524
Bad debts (Note 7)	235,243	430,258
Travel expenses	233,417	186,307
Office expenses	208,121	171,097
Consulting fees (Note 23)	176,000	166,000
Donations	128,782	136,069
Non-executive directors fees (Note 23)	98,400	98,400
Bank charges	58,854	48,448
Customer service	-	<u>1,076,723</u>
	<u>\$ 40,438,938</u>	<u>\$ 36,961,585</u>

## 21. EARNINGS PER SHARE

The calculation of basic earnings per share at July 31, 2014 was based on net comprehensive income attributable to ordinary shareholders of the Parent of \$10,692,697 (2013: \$16,181,434) and weighted average number of ordinary shares outstanding during the year ended July 31, 2014 of \$34,028,878 (2013: \$34,094,695), calculated as follows:

	<b>2014</b>	<b>2013</b>
<b>Net comprehensive income attributable to ordinary shareholders of the Parent</b>	<u>\$ 10,692,697</u>	<u>\$ 16,181,434</u>
Weighted average number of ordinary shares, end of year	<u>34,028,878</u>	<u>34,094,695</u>
<b>Basic and diluted earnings per share</b>	<u>\$ 0.31</u>	<u>\$ 0.47</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no transactions that would dilute earnings per share.

## 22. PENSION PLANS

The Company through its subsidiaries has two 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%. Employer contributions vest after five years. One plan is self-administered and the other is administered by an independent third party. Combined contributions for the year for both plans were \$341,528 (2013: \$323,807).

## 23. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances and transactions were as follows:

	<b>2014</b>	<b>2013</b>
<b><i>Related party balances:</i></b>		
Due from associate	<u>\$ 71,539</u>	<u>\$ 58,139</u>
<b><i>Related party transactions:</i></b>		
Charter hires from associate (shipping and delivery)	<u>\$ 4,939,933</u>	<u>\$ 4,850,770</u>
Directors' fees	<u>\$ 98,400</u>	<u>\$ 98,400</u>
Insurance premiums	<u>\$ 3,382,873</u>	<u>\$ 3,074,906</u>
Fees paid to affiliates	<u>\$ 1,270,003</u>	<u>\$ 1,113,841</u>
Legal fees	<u>\$ 250,673</u>	<u>\$ 346,233</u>
<b><i>Compensation of key management personnel:</i></b>		
Salaries and short-term benefits	<u>\$ 1,994,209</u>	<u>\$ 2,122,737</u>
Consulting fees	<u>176,000</u>	<u>166,000</u>
Post employment benefits	<u>221,493</u>	<u>166,635</u>
	<u><u>\$ 2,391,702</u></u>	<u><u>\$ 2,455,372</u></u>

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

## 24. IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS

During the year, the Company adopted the changes to IFRS 10 *Consolidated Financial Statements* that were effective for periods on and after January 1, 2013; these changes are reflected in the periods presented. As a result of these changes, BTCI Tankers Ltd is no longer consolidated but accounted for as an associate using the equity method.

Accordingly, the Company's assets, liabilities, retained earnings, revenue and expenses have been restated to conform to the transitional changes. Those transitional changes only require restatement of the immediate preceding period, which is 2013.

	<b>2013, As Previously Reported</b>	<b>Adjustment (IFRS 10)</b>	<b>2013, As Restated</b>
<b><i>Consolidated statement of financial position:</i></b>			
Cash and bank balances	\$ 17,666,637	\$ (1,547,244)	\$ 16,119,393
Accounts receivable, net	23,092,939	(52,409)	23,040,530
Inventories	35,790,884	(17,602)	35,773,282
Prepaid expenses and sundry assets	3,210,402	(340,786)	2,869,616
Property, plant and equipment, net	84,450,013	(8,035,507)	76,414,506
Goodwill and intangible assets	15,771,901	(833,333)	14,938,568
Investment in associate	-	6,435,592	6,435,592
Due from associate	-	58,139	58,139
Accounts payable and accrued liabilities	40,750,964	(42,756)	40,708,208
Retained earnings	67,740,186	-	67,740,186
Non-controlling interest	4,290,394	(4,290,394)	-
<b><i>Consolidated statement of comprehensive income:</i></b>			
Equity income	-	1,008,040	1,008,040
Marketing, administrative and general expenses	(35,039,122)	(1,922,463)	(36,961,585)
Depreciation and amortization expense	(3,366,213)	241,739	(3,124,474)
Finance costs	(301,231)	658	(300,573)

## **25. FINANCIAL INSTRUMENTS**

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

### a. Interest rate risk

The Company is exposed to interest rate risk on short-term deposits. 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 Company is exposed to credit risk in respect of losses that would have to be recognized if counterparties fail to perform as contracted.

The Company'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 Company's credit risk is thus primarily limited to accounts receivable, which is shown net of provision for doubtful accounts.

### 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 Company monitors and maintains a level of bank balances deemed adequate to finance its operations. The Company maintains cash deposits with financial institutions of good standing. In addition, the Company through its subsidiaries maintains overdrafts as described in Note 5.

### d. Capital risk

Capital risk is the risk that the Company 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 Company manages its capital to ensure it will be able to continue as a going concern while maximizing benefits and opportunities that may arise. The Company holds regular Board of Directors meetings, during which time all aspects of the business are discussed. Identified risks are addressed and immediate solutions are sought.

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 Company's capital risk policy remains unchanged from 2013.

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 Company does not have any significant transactions denominated in foreign currencies and foreign exchange rates have not significantly fluctuated during the year.

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

f. Fair value of financial assets and liabilities

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 Company 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, inventories, prepaid expenses and sundry assets 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.

## **26. COMMITMENTS**

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

FOHIL renewed a Trademark License agreement effective July 2012 (see Note 13). The agreement provides FOHIL a non-exclusive license to continue use of Shell brand visual manifestations at authorized sites. Consideration for the license, valued at \$4,080,000 at inception of the agreement, is capitalized accordingly. Continued use of the license is contingent on FOHIL's commitment to pay SOHL royalties based on American gallons sold from authorized sites.

The Company, through its subsidiary, entered into a supply agreement with a major supplier of petroleum products. Per the sales agreement, the Company is committed to purchase a minimum quantity of gasoline and diesel for the calendar year. The supply agreement covers the period from January 1, 2014 to December 31, 2014. Thereafter, the agreement shall renew automatically for each successive year, unless terminated thereafter by either party upon the giving of written notice of cancellation.

## **27. LEASE AGREEMENTS**

### Company as Lessor

Rental income from service stations, shop spaces and automated banking machines (ABM's) were \$1,015,553 (2013: \$1,095,970).

Future minimum payments due at July 31, 2014 were as follows:

	<b>2014</b>	<b>2013</b>
Within one year	\$ 670,296	\$ 660,546
After one year but no more than five years	<u>2,760,924</u>	<u>2,760,924</u>
	<u><u>\$ 3,431,220</u></u>	<u><u>\$ 3,421,470</u></u>

### Company as Lessee

Operating lease commitments from service stations, property and buildings were \$670,296 (2013: \$660,546).

Future minimum lease rental expenses as at July 31, 2014 are as follows:

	<b>2014</b>	<b>2013</b>
Within one year	\$ 753,442	\$ 841,518
After one year but no more than five years	<u>2,823,230</u>	<u>3,295,627</u>
	<u><u>\$ 3,576,672</u></u>	<u><u>\$ 4,137,145</u></u>

Charter hires for vessels from the associate were \$4,939,933 (2013: \$4,850,770). The original lease terms on these charters ranged between two (2) to five (5) years and are currently on an 'evergreen' basis (i.e. the leases are automatically renewed until proper notice of cancellation by either party).

## **28. CONTINGENT LIABILITIES**

The Company is contingently liable for customs bonds of \$1,305,000 (2013: \$1,295,000) and has standby letters of credit of \$16,550,000 (2013: \$9,030,000).

## **29. CLAIMS AGAINST THE COMPANY NOT ACKNOWLEDGED AS DEBT**

FOCOL is a defendant in a series of legal actions dating back to 1976, which primarily relate to its license agreement to distribute petroleum products exclusively in the Freeport area. All of these actions have a common plaintiff. The issues in all of these actions were fully resolved in 1980, but a further action was brought in 1991 on similar grounds, the outcome of which has not yet been determined. There is an outstanding appeal to the Court of Appeal from the Order of the Supreme Court dismissing a claim against FOCOL. Management is of the opinion that these claims are without merit and accordingly, no provision has been made in these consolidated financial statements for any loss in connection therewith.

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

## **30. SEGMENT REPORTING**

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

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

*(Continued)*

**SEGMENT REPORTING, YEAR ENDED JULY 31, 2014**

**STATEMENT OF COMPREHENSIVE INCOME**

	Retail	Wholesale	Eliminations	Consolidated
<b>REVENUE:</b>				
External sales	\$ 80,194,940	\$ 477,917,255	\$ (178,003,685)	\$ 380,108,510
Intersegment sales	<u>-</u>	<u>(178,003,685)</u>	<u>178,003,685</u>	<u>-</u>
	<u>80,194,940</u>	<u>299,913,570</u>	<u>-</u>	<u>380,108,510</u>
<b>RESULT:</b>				
Segment result	1,814,728	11,623,055	(1,449,724)	11,988,059
Unallocated operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(627,633)</u>
Income from operations	1,814,728	11,623,055	(1,449,724)	11,360,426
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	12,930
Other expense	(270,365)	(408,396)	<u>-</u>	(678,761)
Unallocated other income	<u>-</u>	<u>-</u>	<u>-</u>	(20,000)
Unallocated other expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET AND COMPREHENSIVE INCOME</b>	<b>\$ 1,544,363</b>	<b>\$ 11,214,659</b>	<b>\$ (1,449,724)</b>	<b>\$ 10,674,595</b>

**STATEMENT OF FINANCIAL POSITION**

<b>ASSETS:</b>				
Segment assets	\$ 52,940,866	\$ 152,510,572	\$ (27,278,802)	\$ 178,172,636
Unallocated corporate assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ 52,940,866</b>	<b>\$ 152,510,572</b>	<b>\$ (27,278,802)</b>	<b>\$ 178,172,636</b>
<b>LIABILITIES:</b>				
Segment liabilities	\$ 6,641,774	\$ 73,145,958	\$ (25,829,079)	\$ 53,958,653
Unallocated corporate liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 6,641,774</b>	<b>\$ 73,145,958</b>	<b>\$ (25,829,079)</b>	<b>\$ 53,958,653</b>

**OTHER INFORMATION**

<b>ASSETS:</b>				
Capital additions	\$ 531,446	\$ 5,282,224	\$ <u>-</u>	\$ 5,813,670

*(Continued)*

**SEGMENT REPORTING, YEAR ENDED JULY 31, 2013**

**STATEMENT OF COMPREHENSIVE INCOME**

	Retail	Wholesale	Eliminations	Consolidated
<b>REVENUE:</b>				
External sales	\$ 73,997,274	\$ 305,860,891	\$ -	\$ 379,858,165
Intersegment sales	-	(66,088,809)	66,088,809	-
	<u>73,997,274</u>	<u>239,772,082</u>	<u>66,088,809</u>	<u>379,858,165</u>
<b>RESULT:</b>				
Segment result	3,286,578	13,927,038	-	17,213,616
Unallocated operating expenses	-	-	-	(638,271)
	<u>3,286,578</u>	<u>13,927,038</u>	<u>-</u>	<u>16,575,345</u>
Income from operations	3,286,578	13,927,038	-	16,575,345
Interest income	-	-	-	10,759
Other expense	-	-	-	(300,568)
Unallocated other income	-	-	-	(86,000)
Unallocated other expenses	-	-	-	-
<b>NET AND COMPREHENSIVE INCOME</b>				
	<u>\$ 3,286,578</u>	<u>\$ 13,927,038</u>	<u>\$ -</u>	<u>\$ 16,199,536</u>

**STATEMENT OF FINANCIAL POSITION**

<b>ASSETS:</b>				
Segment assets	\$ 37,169,994	\$ 141,447,531	\$ (2,542,712)	\$ 176,074,813
Unallocated corporate assets	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 37,169,994</u>	<u>\$ 141,447,531</u>	<u>\$ (2,542,712)</u>	<u>\$ 176,074,813</u>
<b>LIABILITIES:</b>				
Segment liabilities	\$ 7,647,518	\$ 46,694,260	\$ (2,542,712)	\$ 51,799,066
Unallocated corporate liabilities	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 7,647,518</u>	<u>\$ 46,694,260</u>	<u>\$ (2,542,712)</u>	<u>\$ 51,799,066</u>

**OTHER INFORMATION**

**ASSETS:**

Capital additions	<u>\$ 5,964,870</u>	<u>\$ 5,469,543</u>	<u>\$ -</u>	<u>\$ 11,434,413</u>
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Segment assets consist primarily of accounts receivable, inventories, property, plant and equipment and intangible assets.

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

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

*(Concluded)*

### **31. SUBSEQUENT EVENTS**

Subsequent to year end, the Company declared a distribution of ordinary dividends of \$2,382,021 (2013: \$2,382,021) to all shareholders on record as of the declaration date.

As of September 2014, the Company extended its credit facility with RBC Royal Bank (Bahamas) Limited for an additional \$8 million. This facility bears interest at Bahamas Prime plus 0.25%.

\* \* \* \* \*

# NOTES

**consolidated** financial statements  
FOCOL HOLDINGS LIMITED

# NOTES





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## **FOCOL HOLDINGS LIMITED**

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