



FOCOL Holdings Limited
FUELLING GROWTH FOR PEOPLE



2022 ANNUAL REPORT

POWERING SUSTAINABLE GROWTH



THE
BAHAMAS

ONE NATION: OUR LEGACY, OUR FUTURE

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THE BAHAMAS ON 50 YEARS
OF INDEPENDENCE



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, 2022. This MD&A should be read in conjunction with our audited consolidated financial statements and accompanying footnote disclosures. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are expressed in Bahamian dollars.

This MD&A is dated April 30, 2023.

OVERALL PERFORMANCE

FOCOL is a leading energy company in The Bahamas and The Turks & Caicos Islands. Net consolidated income for the year ended September 30, 2022 was \$21.4 million compared to \$16.5 million for the comparative period in the prior year representing an increase of \$4.9 million or 30%. Year 2022 represented a year of partial recovery from the effects of the COVID-19 pandemic. The increase in economic activity post pandemic accounts for the rise in net income for the Group. Year 2022 also represented a year of challenges; mainly, the Russian led war on Ukraine, supply chain disruptions and rising inflation. Despite these challenges, the tourism and construction industries in The Bahamas and The Turks & Caicos Islands started to rebound. This translated into increased activity in the transportation sector and positively impacted the level of petroleum products sold throughout The Bahamas and The Turks & Caicos Islands by our network of wholesale operating companies and retail service stations.

ANNUAL FINANCIAL INFORMATION

	2022 (12 Months) Millions	2021 (12 Months) Millions	2020 (14 Months) Millions	2019 (12 Months) Millions	2018 (12 Months) Millions
Revenue	\$423,808,309	\$289,071,691	\$298,218,175	\$324,825,849	\$318,002,171
Net Income	21,362,826	16,533,085	22,989,046	27,964,726	25,031,175
Total Assets	323,797,211	297,093,846	245,841,159	211,614,185	207,046,849
Total Liabilities	125,980,310	105,194,024	55,289,113	26,234,666	31,821,591
Dividends Per Share	0.12	0.12	0.12	0.12	0.12
Earnings Per Share	0.18	0.13	0.20	0.25	0.22

Revenue, Net Income & Earnings Per Share:

The increase in revenue, net income and earnings per share is attributed to the rebound in the tourism and construction sectors which resulted in increased activity in the transportation sector and increased income for the Group.

Total Assets:

The increase in total assets is mainly attributed to an increase in cash and fixed assets. Higher cash balances resulted from increased economic activity in the current year. During the prior year, FOCOL invested in power generation assets. The increase in fixed assets in the current year represents completion costs for power generation projects which commenced in the prior year and are in operation at the Blue Hills and Clifton Pier sites.

Total Liabilities:

The increase in total liabilities is due to an increase in accounts payable and accrued liabilities at year end. A significant element in this balance is amounts due to petroleum suppliers which fluctuates based on the timing of petroleum product receipts and payments. Also, the Russian led war on Ukraine and the resulting volatile crude oil prices led to increased product costs and an increase in accounts payable amounts due to petroleum suppliers.

Dividends Per Share:

Dividends paid per year have remained consistent at twelve (12) cents per share.

SUMMARY OF QUARTERLY RESULTS for YEARS 2022 and 2021

	Q1 – 2022	Q2 – 2022	Q3 – 2022	Q4 – 2022	Total 2022
Revenue	82,850,599	86,647,551	129,407,578	124,902,581	423,808,309
Net Income	2,328,364	4,781,513	8,130,507	6,122,442	21,362,826
Earnings Per Share	0.02	0.04	0.07	0.05	0.18

Revenue, net income, and earnings per share gradually increased from Q1 – Q4 2022. The growth trend is consistent with the gradual increase in economic activity post the COVID-19 pandemic.

	Q1 – 2021	Q2 – 2021	Q3 – 2021	Q4 – 2021	Total 2021
Revenue	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

Revenue, 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 and Q2, the country was required to adhere to stricter travel restrictions, curfews and reduced working hours for non-essential services. By Q3 and Q4, restrictions were significantly reduced, tourist arrivals by air and cruise ships increased, hotels and restaurants re-opened, non-essential services resumed operations and the nightly curfews were extended from 7pm to 12am.

LIQUIDITY and CAPITAL RESOURCES

	2022	2021	2020	2019	2018
Balance Sheet					
Cash and Cash Equivalents	\$30,900,968	\$12,576,180	\$23,238,241	\$30,781,718	\$14,302,708
Term Deposits	4,556,898	4,205,526	4,296,631	4,293,073	2,761,677
Bank Overdraft	6,157,152	33,344,461	9,609,792	12,650	983,427
Statement of Cash Flows					
Cash from Operating Activities	65,421,766	32,859,456	19,828,836	46,830,459	14,044,443

High levels of cash are maintained to sustain the Group's operations and to invest in new ventures. Cash is generated mainly from operating activities. The petroleum industry is volatile, this was highlighted when crude oil prices rose to a record high of \$123 per barrel when Russia invaded Ukraine in February 2022.

In 2021, 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. In 2022, the Group converted \$27 million of overdraft facilities to long-term debt. The long-term debt bears interest at Bahamas Prime plus 0.25% or 4.50% per annum.

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.

2023 OUTLOOK

With local mandates to increase the usage of renewable sources of energy to 30% by year 2030, the Group continues to explore expansion into the sector by integrating it into our current business model. We are encouraged by the current post pandemic levels of visitor arrivals and the announcement of several major resort development projects, which are expected to stimulate construction sector growth further. Continued growth in tourism and construction will enhance the Group's future profitability.

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, 2022:

- 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 \$108,000.

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	3
Walter Wells	2
John Bethell	2
Russell Miller	3
Bishop Neil Ellis	3
Dexter Adderley	3

Compensation of Directors

Non-executive Directors compensation totaled \$108,000 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 contacts 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
#310 Cotton Tree Plaza
Unit 4, East Bay Street
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 YEAR ENDED SEPTEMBER 30, 2022

The Board of Directors of FOCOL Holdings Limited (FOCOL) is pleased to present the audited results for the year ended September 30, 2022. Total Net and Comprehensive Income for the year ended September 30, 2022 was \$21.4 million compared to \$16.5 million for the previous year.

The recovery of FOCOL's year-over-year earnings continues to be supported by the strong rebound of the local tourism sector and the overall improvement in the global economic environment.

With the steady increase in business activity, management remains focused on customer service and operational excellence across all sectors.

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



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

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Fax: +1 (242) 322 3101

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, 2022, 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, 2022, 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, 2022, the Group had recorded Goodwill of \$10,858,568 (refer to Note 12 to the consolidated financial statements).</p> <p>The valuation of goodwill is based on management’s estimate about the value-in-use calculations of the cash generating units. There are a number of underlying assumptions used to determine the value-in-use, including the long-term growth and discount rate applied on net cash-flows. Estimated value-in-use may vary significantly, especially for LPG Operations when the above-mentioned assumptions are changed and the changes in these individual assumptions may result in an impairment of goodwill.</p>	<p>We obtained an understanding of the Group’s impairment process and methodology. We tested the design and implementation of controls around the preparation of the impairment model including key assumptions. We engaged specialists to assist with the assessment of the methodology, model inputs, discount rate and long-term growth rate. Short-term 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 and performed sensitivity analysis to confirm the impact of these changes. We also assessed the sufficiency and appropriateness of the disclosures given in respect of goodwill and its sensitivity.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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, looped initial 'D' and a flourish at the end.

Nassau, Bahamas
February 14, 2023

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2022

(Expressed in Bahamian dollars)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash	\$ 30,900,968	\$ 12,576,180
Term deposits (Note 5)	4,556,898	4,205,526
Accounts receivable, net (Notes 7 and 23)	30,765,752	41,900,195
Inventories (Note 6)	28,708,117	22,905,822
Prepaid expenses and sundry assets (Note 9)	<u>2,804,129</u>	<u>3,445,162</u>
Total current assets	<u>97,735,864</u>	<u>85,032,885</u>
NON-CURRENT ASSETS:		
Notes receivable, net (Note 8)	1,429,014	1,530,940
Other long-term receivables (Note 8)	10,554,927	7,438,000
Property, plant, equipment and investment property, net (Note 10)	160,368,519	148,265,094
Right-of-use assets, net (Notes 11 and 23)	21,536,310	24,370,117
Goodwill and intangible assets (Note 12)	12,203,004	12,272,165
Investment in associate (Note 14)	19,887,382	18,125,668
Due from associate (Note 23)	<u>82,191</u>	<u>58,977</u>
Total non-current assets	<u>226,061,347</u>	<u>212,060,961</u>
TOTAL ASSETS	<u>\$ 323,797,211</u>	<u>\$ 297,093,846</u>

(Continued)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2022

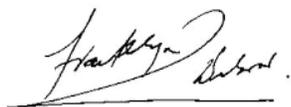
(Expressed in Bahamian dollars)

	2022	2021
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Bank overdraft (Note 5)	\$ 6,157,152	\$ 33,344,461
Accounts payable and accrued liabilities (Notes 15 and 23)	52,206,556	24,407,593
Dividends payable (Note 24)	2,004,342	2,006,432
Current portion of lease liabilities (Notes 17 and 23)	3,534,963	4,760,295
Current portion of long-term debt (Note 16)	2,215,696	687,787
Total current liabilities	<u>66,118,709</u>	<u>65,206,568</u>
NON-CURRENT LIABILITIES:		
Due to associate (Note 23)	1,665,123	3,420,231
Lease liabilities (Notes 11, 17 and 23)	18,582,968	20,772,920
Long-term debt (Note 16)	27,780,758	3,977,430
Preference shares (Note 18)	11,832,752	11,816,875
Total non-current liabilities	<u>59,861,601</u>	<u>39,987,456</u>
Total liabilities	<u>125,980,310</u>	<u>105,194,024</u>
EQUITY:		
Share capital (Note 19)	83,563	83,647
Preference shares (Note 19)	500,000	500,000
Contributed capital (Note 19)	49,500,000	49,500,000
Retained earnings	147,733,338	141,816,175
Total equity	<u>197,816,901</u>	<u>191,899,822</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 323,797,211</u>	<u>\$ 297,093,846</u>

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on February 15, 2023, and are signed on its behalf by:



Director



Director

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED SEPTEMBER 30, 2022

(Expressed in Bahamian dollars)

	2022	2021
REVENUE	\$ 423,808,309	\$ 289,071,691
COST OF SALES (Note 23)	<u>(343,702,811)</u>	<u>(222,153,694)</u>
Gross profit	80,105,498	66,917,997
Equity income (Notes 14 and 23)	1,761,713	1,731,792
Other income	6,160	5,569
Marketing, administrative and general expenses (Notes 20, 22, and 23)	(44,758,098)	(38,115,090)
Depreciation and amortization expense (Note 13)	(12,002,398)	(12,040,949)
Finance costs (Note 11)	(2,790,871)	(1,966,234)
Dividends on preferred shares (Note 18)	<u>(959,178)</u>	<u>-</u>
NET PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 21,362,826</u>	<u>\$ 16,533,085</u>
Basic and diluted earnings per share (Note 21)	<u>\$ 0.18</u>	<u>\$ 0.13</u>

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED SEPTEMBER 30, 2022

(Expressed in Bahamian dollars)

	<u>Share Capital</u>	<u>Preference Shares</u>	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at September 30, 2020	\$ 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	83,647	500,000	49,500,000	141,816,175	191,899,822
Total comprehensive income	-	-	-	21,362,826	21,362,826
Common shares purchased and cancelled (Note 19)	(84)	-	-	(409,161)	(409,245)
Common share dividends: \$0.12 per share (Note 19)	-	-	-	(12,036,502)	(12,036,502)
Preference share dividends (Note 19)	-	-	-	(3,000,000)	(3,000,000)
Balance at September 30, 2022	<u>\$ 83,563</u>	<u>\$ 500,000</u>	<u>\$ 49,500,000</u>	<u>\$ 147,733,338</u>	<u>\$ 197,816,901</u>

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2022

(Expressed in Bahamian dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	\$ 21,362,826	\$ 16,533,085
Adjustments for:		
Depreciation and amortization expense (Note 13)	12,002,398	12,040,949
Equity income from associate (Note 14)	(1,761,714)	(1,731,792)
Loss on disposals of property, plant and equipment, net	48,202	2,166,020
	<u>31,651,712</u>	<u>29,008,262</u>
Income from operations before working capital changes	31,651,712	29,008,262
Decrease (increase) in accounts receivable, net	11,134,443	(14,276,964)
Decrease in prepaid expenses and sundry assets	641,033	8,680,411
Increase in inventories	(5,802,295)	(6,340,896)
Increase in accounts payable and accrued liabilities	27,796,873	15,788,643
	<u>65,421,766</u>	<u>32,859,456</u>
Net cash from operating activities	65,421,766	32,859,456
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in term deposits	(351,372)	91,105
Decrease in notes receivable	101,926	103,400
Increase in other long-term receivables	(3,116,927)	(7,438,000)
Dividends from associate (Note 14)	-	3,000,000
Proceeds from disposal of property, plant, equipment and investment property	7,503	30,405
Purchase of property, plant, equipment and investment property (Note 10)	(19,592,528)	(54,665,716)
Purchase of intangible assets (Note 12)	(46,358)	(108,707)
Increase in due from associate	(23,214)	(21,248)
(Decrease) increase in due to associate	(1,755,108)	789,506
	<u>(24,776,078)</u>	<u>(58,219,255)</u>
Net cash used in investing activities	(24,776,078)	(58,219,255)

(Continued)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2022

(Expressed in Bahamian dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Conversion of bank overdraft to long-term debt	27,150,000	-
Proceeds from preference share issuance	-	11,816,875
Repayment of long-term debt	(1,818,763)	(654,064)
Repayment of lease liabilities	(5,019,081)	(5,014,433)
Repurchase of ordinary shares (Note 19)	(409,245)	(141,401)
Common share dividends paid	(12,036,502)	(12,043,908)
Preference share dividends paid	<u>(3,000,000)</u>	<u>(3,000,000)</u>
Net cash from (used in) financing activities	<u>4,866,409</u>	<u>(9,036,931)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	45,512,097	(34,396,730)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>(20,768,281)</u>	<u>13,628,449</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 24,743,816</u>	<u>\$ (20,768,281)</u>
CASH AND CASH EQUIVALENTS IS COMPRISED OF THE FOLLOWING:		
Cash	\$ 30,900,968	\$ 12,576,180
Bank overdraft	<u>(6,157,152)</u>	<u>(33,344,461)</u>
	<u>\$ 24,743,816</u>	<u>\$ (20,768,281)</u>
SUPPLEMENTAL INFORMATION:		
Interest paid on bank overdraft and loans	<u>\$ 1,716,575</u>	<u>\$ 660,345</u>
Interest received	<u>\$ 6,160</u>	<u>\$ 5,569</u>
NON-CASH TRANSACTION:		
Transfer of bank overdraft to long-term debt	<u>\$ 27,150,000</u>	<u>\$ -</u>
Change in lease liability	<u>\$ 1,607,480</u>	<u>\$ -</u>

(Concluded)

See notes to consolidated financial statements.

FOCOL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

(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, 2022 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;
- Convenience Retailing Limited, a land-owning entity and an operator of several service stations in New Providence;
- Sun Services Limited;
- O.R. Services Limited;
- 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;
- Bahamas Utilities Company Limited (formerly 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.

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, 2021. The adoption of the following standards and interpretations has not led to any changes in the Group’s accounting policies:

IFRS 4, IFRS 9 and IAS 39	Replacement Issues IBOR reform (amendments)
IFRS 16	Exemption COVID-19 rent concession (amendments)

Accounting Standards and Interpretations not yet effective

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

IFRS 3	Reference to the Conceptual Framework (amendments)
IFRS 17	Insurance Contracts
IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associates or Joint Venture (amendments)
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
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 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* - (i) Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 3(j)). Maintenance, repairs and minor costs are expensed as incurred. (ii) Investment properties are also stated at cost less accumulated depreciation and impairment losses, if any.

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%
Investment property	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, 2022, 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.

1. 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. Preference shares equity* – Preference shares as equity issued by the Group are recognized as the proceeds received, net of direct issuance costs. The repurchase of preference shares is recorded as a reduction of equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issuance or cancellation of these shares.
- q. Dividends* - Dividends are recognized as a liability in the period in which they are declared.
- r. 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 comprehensive income when the services are rendered and the performance obligation to the customer is satisfied. At this point, Management is certain of collection of the associated trade accounts receivable balance. 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.

- s. ***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.

- t. ***Employee benefits*** - The Group maintains defined contribution plans covering all eligible full-time 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.

- u. ***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.

- v. ***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.

- w. **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.

- x. **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.
- y. **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.
- z. **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.

aa. 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 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. *Expected credit losses*** - Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- d. *IFRS 16 - Leases*** - The Group leases land, buildings and vessels. The calculation of the lease liabilities and right of use assets requires management to make certain assumptions. The lease term is based on the lease agreement or on the economic life of the asset if the lease is on an evergreen basis. The discount rate used to calculate the lease liability is based on the Group's incremental borrowing rate (IBR). In addition, the Group allocates the lease contract to the leased asset and to the service component of the contract. Short-terms leases are excluded from the lease liability calculation.

5. TERM DEPOSITS AND BANK OVERDRAFT

The Group has the following term deposits:

Short-term deposits with local banks totaling \$2,830,764 (2021: \$2,769,209). The short-term deposits have maturity dates of up to six months with an interest rate of 0.55% (2021: interest rate of 0.55%) per annum.

Term deposit of \$1,400,000 (2021: \$1,110,210) 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% (2021: 2%) per annum.

Term deposits totaling \$309,158 (2021: \$309,158) with a bank in the Turks and Caicos Islands. The term deposits are for a period of one year at interest rates ranging from 0.18% to 0.9% (2021: 0.18% to 0.9%).

Term deposit of \$16,976 (2021: \$16,949) with a local bank. The term deposit is for a one year period with an interest rate of 0.16% (2021: 0.16%).

The Group has available to it the following overdraft facilities:

Facility 1 represents a combined overdraft facility of \$10,100,000 (2021: \$10,100,000). This combined facility bears interest at Bahamas Prime plus 1.00% or 5.25% (2021: Bahamas Prime plus 1.00% or 5.25%) per annum; at September 30, 2022, the balance was \$6,157,152 (2021: \$8,315,194).

Facility 2 represents an overdraft facility of \$Nil (2021: \$27,150,000) which bears interest at Bahamas Prime plus 0.25% or 4.50% per annum; at September 30, 2022, the balance was \$Nil (2021: \$25,029,267). The overdraft facility was converted to a loan in November 2021 and is included in long-term debt in the consolidated statement of financial position.

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:

	2022	2021
Diesel	\$ 16,523,124	\$ 9,419,158
Gasoline - unleaded	6,155,789	8,454,977
Propane	2,367,352	1,969,467
Lube oil	1,639,993	1,331,454
Other	1,302,460	1,108,203
Jet fuel	378,424	322,751
Parts and tanks	<u>340,975</u>	<u>299,812</u>
	<u>\$ 28,708,117</u>	<u>\$ 22,905,822</u>

Management has determined that no allowance for obsolete inventory is necessary. During the year, inventories totaling \$Nil (2021: \$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:

	2022	2021
Accounts receivable - trade	\$ 32,374,011	\$ 35,130,246
Other receivables	<u>2,197,225</u>	<u>10,366,761</u>
	34,571,236	45,497,007
Less: allowance for expected credit loss	<u>(3,805,484)</u>	<u>(3,596,812)</u>
	<u>\$ 30,765,752</u>	<u>\$ 41,900,195</u>

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

	2022	2021
At beginning of year	\$ 3,596,812	\$ 2,899,299
Expected credit loss	361,338	697,513
Write-offs	(152,666)	-
Recoveries	<u>-</u>	<u>-</u>
At end of year	<u>\$ 3,805,484</u>	<u>\$ 3,596,812</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, 2022 can result in an increase or decrease in the allowance for ECL by \$345,712 (2021: \$454,970).

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:

	2022	2021
Current	\$ 20,304,023	\$ 23,184,153
31 - 60 days	1,701,481	7,305,462
61 - 90 days	1,422,836	3,407,187
Over 90 days	<u>11,142,896</u>	<u>11,600,205</u>
	<u>\$ 34,571,236</u>	<u>\$ 45,497,007</u>

Included in accounts receivable are balances totaling \$10,461,729 (2021: \$18,716,042) 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:

	2022	2021
Notes receivable	\$ 1,551,862	\$ 1,659,718
Less: allowance for expected credit loss	<u>(122,848)</u>	<u>(128,778)</u>
	<u>\$ 1,429,014</u>	<u>\$ 1,530,940</u>

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

	2022	2021
Balance, beginning of year	\$ 128,778	\$ 508,039
(Reversal of) expected credit loss	<u>(5,930)</u>	<u>(379,261)</u>
Balance, end of year	<u>\$ 122,848</u>	<u>\$ 128,778</u>

The notes are interest free and unsecured. The repayment terms range between one and eight 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 notes receivable balance at September 2022 can result in an increase or decrease in the allowance for ECL by \$15,518 (2021: \$16,597).

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 \$10,554,927 (2021: \$7,438,000) 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 \$477,286 (2021: \$1,104,960). These amounts will be fully expensed during the subsequent year.

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

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

	Land	Buildings and Improvements	Equipment	Computer, Furniture, Fixtures and Fencing Equipment	Storage Facilities	Vehicles	Liquid Petroleum Gas Plant	Construction In-Progress	Total
COST/VALUATION:									
Balance at 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
Additions	2,153,253	192,020	9,035	35,576	1,192,961	370,005	-	15,639,678	19,592,528
Disposals and transfers in (out)	75,428	718,563	31,298,441	-	661,129	123,691	-	(32,998,568)	(121,316)
Balance at September 30, 2022	\$ 29,601,048	\$ 32,663,114	\$ 92,324,686	\$ 4,613,671	\$ 54,030,814	\$ 12,606,249	\$ 726,295	\$ 11,944,006	\$ 238,509,883
ACCUMULATED DEPRECIATION:									
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
Depreciation	-	846,501	3,128,013	302,011	2,146,955	989,126	-	20,792	7,433,398
Disposals	-	168,882	2,286,597	-	(2,513,090)	(8,000)	-	-	(65,611)
Balance at September 30, 2022	\$ -	\$ 12,977,602	\$ 24,609,112	\$ 4,194,348	\$ 26,606,414	\$ 9,006,801	\$ 726,295	\$ 20,792	\$ 78,141,364
CARRYING VALUE:									
As at September 30, 2022	\$ 29,601,048	\$ 19,685,512	\$ 67,715,574	\$ 419,323	\$ 27,424,400	\$ 3,599,448	\$ -	\$ 11,923,214	\$ 160,368,519
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

The Group capitalized \$Nil (2021: \$536,880) of borrowing costs during the year.

Some components of property, plant, equipment and investment property are pledged as security for the loan facilities obtained from a local bank (Note 16).

Rental income of \$592,667 (2021: \$661,461) was earned during the year for property leased by the Group (Note 26).

11. RIGHT OF USE ASSETS

	<u>Land</u>	<u>Buildings</u>	<u>Vessels</u>	<u>Total</u>
COST:				
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	1,544,465	1,182,798	36,031,421	38,758,684
Additions	87,017	-	517,936	604,953
Disposals	<u>-</u>	<u>-</u>	<u>(2,803,632)</u>	<u>(2,803,632)</u>
Balance at September 30, 2022	<u>\$ 1,631,482</u>	<u>\$ 1,182,798</u>	<u>\$ 33,745,725</u>	<u>\$ 36,560,005</u>
ACCUMULATED DEPRECIATION:				
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	615,739	341,406	13,431,422	14,388,567
Charge for the year	194,463	107,813	4,135,328	4,437,604
Adjustment	<u>-</u>	<u>-</u>	<u>(3,802,476)</u>	<u>(3,802,476)</u>
Balance at September 30, 2022	<u>\$ 810,202</u>	<u>\$ 449,219</u>	<u>\$ 13,764,274</u>	<u>\$ 15,023,695</u>
CARRYING VALUE:				
As at September 30, 2022	<u>\$ 821,280</u>	<u>\$ 733,579</u>	<u>\$ 19,981,451</u>	<u>\$ 21,536,310</u>
As at September 30, 2021	<u>\$ 928,726</u>	<u>\$ 841,392</u>	<u>\$ 22,599,999</u>	<u>\$ 24,370,117</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).

Amounts recognized in the consolidated statement of comprehensive income

	2022	2021
Depreciation expense on right-of-use assets	<u>\$ 4,437,604</u>	<u>\$ 4,987,985</u>
Interest expense on lease liabilities	<u>\$ 1,074,295</u>	<u>\$ 1,352,627</u>
Expenses relating to short-term leases	<u>\$ 656,492</u>	<u>\$ 518,312</u>
Expenses relating to variable lease payments not included in the measurement of the lease liability	<u>\$ 224,988</u>	<u>\$ 192,356</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:

	2022	2021
Fixed payments	\$ 92,079	\$ 89,398
Variable payments	<u>224,988</u>	<u>192,356</u>
	<u>\$ 317,067</u>	<u>\$ 281,754</u>

The total cash outflows for leases amounted to \$6,172,090 (2021: \$5,926,980).

(Concluded)

12. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	2022	2021
Goodwill	\$ 10,858,568	\$ 10,858,568
Intangible assets	<u>1,344,436</u>	<u>1,413,597</u>
	<u>\$ 12,203,004</u>	<u>\$ 12,272,165</u>

Goodwill consists of the following:

	2022	2021
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 (2021: \$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 (2021: \$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 12.5% per annum (2021: 11.5%).

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% (2021: 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.

The Directors estimate that significant headroom exists and only a major change in the growth rate and the discount would result in an impairment charge.

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 15% (2021: 14.5%) 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% (2021: 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.

The Directors estimate that a decrease in the growth rate by 2% and an increase in the discount rate by 2% would have to occur to reduce the headroom in the cash-generating unit and result in an impairment charge for the Group.

Intangible assets

Intangible assets consist of the following:

	2022	2021
Trademark license	\$ 4,080,000	\$ 4,080,000
Computer software	1,779,126	1,732,768
Less: accumulated amortization	<u>(4,514,690)</u>	<u>(4,399,171)</u>
	<u>\$ 1,344,436</u>	<u>\$ 1,413,597</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 \$115,519 (2021: \$112,404).

13. DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation and amortization expense consists of the following:

	2022	2021
Depreciation of property, plant and equipment	\$ 7,433,398	\$ 6,454,845
Depreciation of right-of-use assets	4,437,604	4,987,985
Amortization of trademark license and computer software	115,519	598,119
Amortization of Preference D transaction costs	<u>15,877</u>	<u>-</u>
	<u>\$ 12,002,398</u>	<u>\$ 12,040,949</u>

14. INVESTMENT IN ASSOCIATE

Investment in associate consist of the following:

	Interest Held	2022	2021
BTCI Tankers Ltd.	60.00%	<u>\$ 19,887,382</u>	<u>\$ 18,125,668</u>

Total movement in investment in associate is as follows:

	2022	2021
Balance, beginning of year	\$ 18,125,668	\$ 19,393,876
Dividends	-	(3,000,000)
Equity income	<u>1,761,714</u>	<u>1,731,792</u>
Balance, end of period	<u>\$ 19,887,382</u>	<u>\$ 18,125,668</u>

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2022	2021
Trade payables	\$ 49,375,633	\$ 22,297,434
Accrued liabilities	<u>2,830,923</u>	<u>2,110,159</u>
	<u>\$ 52,206,556</u>	<u>\$ 24,407,593</u>

16. LONG-TERM DEBT

Long-term debt consists of the following:

	2022	2021
Bank loan	\$ 29,822,752	\$ 4,243,618
Note payable	<u>173,702</u>	<u>421,599</u>
	29,996,454	4,665,217
Less: current portion	<u>2,215,696</u>	<u>687,787</u>
	<u>\$ 27,780,758</u>	<u>\$ 3,977,430</u>

The Group has the following bank loans:

- i. \$5 million loan facility obtained in November 2019 representing the final drawdown on a \$20 million loan facility initially obtained during the period September 2014 to July 2019. The loan is repayable over a 10-year term at an interest rate of Bahamas Prime Plus 0.25% or 4.50% and monthly payments of \$51,819 (2021: \$51,819). The loan balance at September 30, 2022 was \$3,804,006 (2021: \$4,243,618)
- ii. \$10 million facility obtained to finance capital projects. The facility was initially obtained in the form of an overdraft facility. In November 2021, the overdraft facility was converted to a loan. The loan is amortized over a fifteen-year period at an interest rate of Bahamas Prime Plus 0.25% or 4.50% and monthly installments of \$76,499 (2021: \$Nil). The loan balance at September 30, 2022 was \$9,603,359 (2021: \$Nil).
- iii. \$17.1 million facility obtained to finance capital projects. The facility was initially obtained in the form of an overdraft facility. In November 2021, the overdraft facility was converted to a loan. The loan is amortized over a twelve-and-a-half-year period at an interest rate of Bahamas Prime Plus 0.25% or 4.50% and monthly installments of \$149,225 (2021: \$Nil). The loan balance at September 30, 2022 was \$16,415,387 (2021: \$Nil).

The note payable of \$2,000,000 (2021: \$2,000,000) is unsecured at an interest rate of 6.00% over a 10-year term, repayable in monthly installments of \$22,204 (2021: \$22,204). The note payable balance at September 30, 2022 was \$173,702 (2021: \$421,599).

(Continued)

Loan maturity analysis:

	2022			
	Carrying Amount	0-12 months	1-5 years	Greater than 5 years
Loan facility - \$5 million	\$ 3,804,006	\$ 460,098	\$ 2,637,647	\$ 706,261
Loan facility - \$10 million	9,603,359	495,987	2,843,392	6,263,980
Loan facility - \$17.15 million	16,415,387	1,085,909	6,225,286	9,104,192
Note payable	173,702	173,702	-	-
Total Long-Term Debt	\$ 29,996,454	\$ 2,215,696	\$ 11,706,325	\$ 16,074,433

	2021			
	Carrying Amount	0-12 months	1-5 years	Greater than 5 years
Loan facility - \$5 million	4,243,618	\$ 439,890	\$ 2,521,796	\$ 1,281,932
Note payable	421,599	247,897	173,702	-
Total Long-Term Debt	\$ 4,665,217	\$ 687,787	\$ 2,695,498	\$ 1,281,932

(Concluded)

17. LEASE LIABILITIES

	2022	2021
Current	\$ 3,534,963	\$ 4,760,295
Non-Current	18,582,968	20,772,920
	\$ 22,117,931	\$ 25,533,215

The Group does not face a significant liquidity risk with regard to its lease liabilities. The average effective borrowing rate used was 4.90% (2021: 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, 2022 the balance was \$11,832,752 (2021: \$11,816,875). Transaction costs are amortized over the life of the shares using the effective interest method.

19. SHARE CAPITAL

	2022	2021
<u>Common Shares</u>		
<i>Authorized:</i>		
480,000,000 shares of \$.0008 each (2021: 480,000,000 shares of \$.0008 each)	\$ 400,000	\$ 400,000
<i>Issued and fully paid:</i>		
100,217,102 shares of \$.0008 each (2021: 100,321,599 shares of \$.0008 each)	\$ 83,563	\$ 83,647

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

	2022	2021
Balance at beginning of year	100,321,599	100,356,879
Common shares purchased during the year	(104,497)	(35,280)
Balance at end of year	<u>100,217,102</u>	<u>100,321,599</u>

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

Repurchase Date	Total Shares	Price Per Share	Total Consideration	Cancellation Date
September 28, 2022	1,200	\$ 3.85	\$ 4,673	September 29, 2022
September 28, 2022	5,000	3.89	19,655	September 29, 2022
September 28, 2022	16,800	3.90	66,207	September 29, 2022
September 28, 2022	64,597	3.84	250,641	September 29, 2022
September 29, 2022	4,900	3.98	19,703	September 29, 2022
September 29, 2022	<u>12,000</u>	3.99	<u>48,365</u>	September 29, 2022
	<u>104,497</u>		<u>\$ 409,244</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.

During the year, the Directors declared and the Group paid dividends of \$0.12 per share or \$12,036,502 (2021: \$0.12 per share or \$12,043,908).

Treasury shares

During the year, the Group acquired and cancelled 104,497 (2021: 35,280) of its own common shares at a total cost of \$409,244 (2021: \$141,401) and as such, these shares are not reflected in treasury shares.

(Continued)

	2022	2021
<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 (2021: 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 (2021: 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:

	2022	2021
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:

	2022	2021
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:

	2022	2021
Salaries and benefits	\$ 14,720,490	\$ 13,631,839
Repairs and maintenance	7,107,454	4,289,694
Insurance	5,702,249	5,623,803
Shipping and delivery	4,871,098	3,589,691
License registrations	2,776,461	2,668,764
Trademark and related fees	1,808,884	1,304,571
Professional fees	1,207,440	933,155
Utilities	1,087,058	1,102,351
Rent	954,834	711,446
Communications	811,213	709,103
Fuel inspection	713,907	1,177,792
Advertising	717,907	464,336
Miscellaneous	533,573	631,740
Bank charges	374,203	251,688
Expected credit losses	361,339	318,252
Travel expenses	306,871	67,418
Office expenses	217,853	243,581
Donations	146,450	78,451
Customer service	119,064	120,015
Consulting fees	111,750	99,000
Non-executive Directors' fees	108,000	98,400
	<u>\$ 44,758,098</u>	<u>\$ 38,115,090</u>

21. EARNINGS PER SHARE

The calculation of basic earnings per share at September 30, 2022 was based on net comprehensive income attributable to ordinary shareholders of the Group totaling \$18,362,826 (2021: \$13,533,085) and weighted average number of ordinary shares outstanding during the year ended September 30, 2022 of 100,321,073 (2021: 100,356,782), are calculated as follows:

	2022	2021
Net income for the year	\$ 21,362,826	\$ 16,533,085
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>\$ 18,362,826</u>	<u>\$ 13,533,085</u>
Weighted average number of ordinary shares, end of year	<u>100,321,073</u>	<u>100,356,782</u>
Basic and diluted earnings per share	<u>\$ 0.18</u>	<u>\$ 0.13</u>

22. PENSION PLANS

The Group through its subsidiaries, has two (2) (2021: 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% (2021: 5%). Employer contributions vest after five years. The plans are administered by independent third parties. Combined contributions for the period for both plans were \$461,454 (2021: \$511,647).

23. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances and transactions were as follows:

	2022	2021
<i>Related party balances:</i>		
Accounts receivable	\$ 1,131,909	\$ 99,237
Due from associate	\$ 82,191	\$ 58,977
Accounts payable and accrued liabilities	\$ 1,245	\$ 931,686
Due to associate	\$ 1,665,123	\$ 3,420,231
Right of use assets, net	\$ 17,864,122	\$ 19,872,235
Lease liabilities	\$ 19,426,077	\$ 20,990,611
<i>Related party transactions:</i>		
Equity income	\$ 1,761,713	\$ 1,731,792
Shipping and delivery	\$ 2,354,679	\$ 2,657,996
Cost of sales	\$ 4,764,606	\$ 4,185,425
Non-executive Directors' fees	\$ 108,000	\$ 98,400
Insurance premiums	\$ 5,508,388	\$ 5,687,756
Professional fees	\$ 730,074	\$ 809,691
<i>Compensation of key management personnel:</i>		
Salaries and short-term benefits	\$ 2,272,605	\$ 2,426,919
Post employment benefits	273,550	273,550
Consulting fees	111,750	99,000
	<u>\$ 2,657,905</u>	<u>\$ 2,799,469</u>

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:

	2022			
	Carrying Amount	0-12 months	1-5 years	Greater than 5 years
Bank overdraft	\$ 6,157,152	\$ 6,157,152	\$ -	\$ -
Accounts payable	52,206,556	52,206,556	-	-
Dividends payable	2,004,342	2,004,342	-	-
Due to associate	1,665,123	1,665,123	-	-
Lease liability	22,117,931	3,534,963	13,643,793	4,939,175
Long-term debt	29,996,454	2,215,696	11,706,325	16,074,433
Preference shares	11,832,752	-	-	11,832,752
Total financial liabilities	<u>\$ 125,980,310</u>	<u>\$ 67,783,832</u>	<u>\$ 25,350,118</u>	<u>\$ 32,846,360</u>
	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	687,787	2,695,498	1,281,932
Preference shares	11,816,875	-	-	11,816,875
Total financial liabilities	<u>\$ 105,194,024</u>	<u>\$ 65,206,568</u>	<u>\$ 21,734,439</u>	<u>\$ 18,253,017</u>

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 2021.

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, 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 October 1, 2022 to September 30, 2023. 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 \$592,667 (2021: \$661,461).

The maturity analysis of operating lease receipts are as follows:

Within one year	\$ 564,996	\$ 623,796
After one year but no more than five years	<u>2,609,441</u>	<u>2,609,441</u>
	<u>\$ 3,174,437</u>	<u>\$ 3,233,237</u>

27. CONTINGENT LIABILITIES

The Group is contingently liable for customs bonds of \$1,305,000 (2021: \$1,305,000) and has standby letters of credit of \$9,400,000 (2021: \$36,680,000).

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, 2022

STATEMENT OF COMPREHENSIVE INCOME

	Retail	Wholesale	Utility Services	Eliminations	Consolidated
REVENUE:					
External sales	\$ 81,234,461	\$ 335,894,721	\$ 6,679,127	\$ -	\$ 423,808,309
Intersegment sales	-	425,148,635	-	(425,148,635)	-
	<u>81,234,461</u>	<u>761,043,356</u>	<u>6,679,127</u>	<u>(425,148,635)</u>	<u>423,808,309</u>
RESULT:					
Segment result	<u>17,190</u>	<u>22,376,418</u>	<u>1,664,993</u>	<u>88,936</u>	<u>24,147,537</u>
Income from operations	17,190	22,376,418	1,664,993	88,936	24,147,537
Interest income	6,160	-	-	-	6,160
Finance costs	(73,222)	(1,372,709)	(1,344,940)	-	(2,790,871)
Unallocated other income	-	-	-	-	-
PROFIT AND COMPREHENSIVE					
INCOME FOR THE YEAR	<u>\$ (49,872)</u>	<u>\$ 21,003,709</u>	<u>\$ 320,053</u>	<u>\$ 88,936</u>	<u>\$ 21,362,826</u>

STATEMENT OF FINANCIAL POSITION

ASSETS:					
Segment assets	\$ 51,426,438	\$ 316,269,485	\$ 74,257,626	\$ (118,156,338)	\$ 323,797,211
Unallocated corporate assets	-	-	-	-	-
TOTAL ASSETS	<u>\$ 51,426,438</u>	<u>\$ 316,269,485</u>	<u>\$ 74,257,626</u>	<u>\$ (118,156,338)</u>	<u>\$ 323,797,211</u>
LIABILITIES:					
Segment liabilities	\$ 18,106,816	\$ 193,261,903	\$ 31,232,320	\$ (116,620,729)	\$ 125,980,310
Unallocated corporate liabilities	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ 18,106,816</u>	<u>\$ 193,261,903</u>	<u>\$ 31,232,320</u>	<u>\$ (116,620,729)</u>	<u>\$ 125,980,310</u>

OTHER INFORMATION

ASSETS:					
Capital additions	<u>\$ 513,790</u>	<u>\$ 7,545,527</u>	<u>\$ 11,533,211</u>	<u>\$ -</u>	<u>\$ 19,592,528</u>

(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 PERIOD	<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>
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Segment assets consist primarily of accounts receivable, inventories, property, plant, equipment, investment property, intangible assets and right of use assets.

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

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

(Concluded)

30. RECLASSIFICATION

The following amounts included in the current and non-current portions of long-term debt have been reclassified to conform with the current year's presentation. Total long-term debt reported in the consolidated statement of financial position will not be impacted as a result of this change.

	Effect on 2021
<i>Consolidated statement of financial position:</i>	
Decrease in current portion of long-term debt	\$ (181,938)
Increase in long-term debt	\$ 181,938

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, 2022, payable on December 12, 2022.
 - ii. Ordinary dividend of 3 cents per share to all shareholders on record at December 30, 2022, payable on January 12, 2023.
 - b) **Preference Shareholders:**
 - i. Semi-annual dividend of 6.00% (Prime + 1.75%), to Class B Preference Shareholders on record at October 15, 2022, payable by October 28, 2022.
 - ii. Semi-annual dividend of 6.00% (Prime + 1.75%), to Class A and C Preference Shareholders on record at December 30, 2022, payable by January 13, 2023.
 - iii. Semi-annual dividend of 6.00% to Class D Preference Shareholders on record at December 30, 2022, payable by December 30, 2022.

* * * * *

NOTES

50th

50th Anniversary of the Sunshine Group.

FOCOL Holdings Limited celebrates the 50th anniversary of the Sunshine Group for its unwavering dedication and invaluable contributions to the growth of The Bahamas. Their vision, and passion, have propelled our nation forward, leaving an indelible mark on our history and shaping a brighter future for generations to come.

We celebrate their unparalleled contributions that extend beyond business success. Their steadfast commitment to social responsibility and community development has uplifted countless lives.

We honor their enduring contributions and commit ourselves to carrying forward their legacy of excellence and innovation to build a prosperous Bahamas for all.



FOCOL HOLDINGS LIMITED

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