FUTURE ENERGY SOURCE COMPANY LIMITED
(FESCO)

AUDITED FINANCIAL STATEMENTS
for the Financial Year Ended March 31, 2023

Future Energy Source Company Limited

Financial Statements
31 March 2023

Future Energy Source Company Limited

Index
31 March 2023

9 Cargill Avenue
Kingston 10
Jamaica

T: 876 906 1658-9
F: 876 920 3226

admin@bakertilly.com.jm
www.bakertilly.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
Future Energy Source Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Future Energy Source Company Limited as at 31 March 2023, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the Jamaican Companies Act.

What we have audited

Future Energy Source Company Limited financial statements comprise:
- the statement of financial position as at 31 March 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

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 financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

…/2

Report on the audit of the financial statements (continued)

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our company audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Report on the audit of the financial statements

Key audit matters

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

…/3

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of
Future Energy Source Company Limited
Page 3

Report on the audit of the financial statements (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Expected credit loss

IFRS 9 Financial Instruments, is complex and requires the Company to recognise expected credit losses (‘ECL’) on financial assets. The determination of ECL is highly subjective and requires management to make significant judgement and estimates, particularly regarding significant increase in credit risk and forward-looking information.

➢ The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12-month or lifetime allowance is recorded.

➢ IFRS 9 requires the company to incorporate forward-looking information that reflects a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios, the probability weightings and management overlay.

We have determined that the estimates of impairment in respect of trade receivables have a high degree of estimation uncertainty. See note 3(a) of the financial statements.</td><td>We performed the following procedures:

➢ Obtained an understanding of the model used by management for the calculation of expected credit losses on receivables.

➢ Tested the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis.

➢ Involved our financial risk modelling specialists to evaluate the appropriateness of the Company’s impairment methodologies, including the criteria used for determining significant increase in credit risk and independently assessed the assumptions and compliance with the new requirement of IRFS 9, Financial Instrument.

➢ Involved our financial risk modelling specialists to evaluate the appropriateness of the economic parameter, including the use of forward-looking information.

➢ Tested the company’s recording and ageing of trade receivables.

➢ Assessed the adequacy of the disclosures of the key assumptions and judgements as well as compliance with IFRS 9.

Based on audit procedures performed, no adjustments to the financial statements were deemed necessary.</td></tr>
</table>

…/4

INDEPENDENT AUDITORS' REPORT (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Borrowings Refer to notes 12, and 15 to the financial statements for management's disclosures of related accounting policies, judgments and estimates relating to borrowings. As at 31 March 2023, long and short-term borrowings, excluding long term lease liabilities represented $2.0 billion (2022 - $1.27 billion) or 60.69% (2022 – 62.21%) of the total equity and debts of the company. The company continues to be highly leveraged.	The Company remains highly leveraged as management continues to strategically use debt financing as the principal pillar to implement structured growth projects within the Company. During the year, management implemented strategies to improve its gross margins, thereby improving its cash flows and its ability to meet its financial obligations as they fall due. The Company continues to examine its financing options within the context of its debt management strategy and review its choices based on the present improving market conditions as well as it's risk profile. Our audit procedures included: - • Reviewed the loan agreements and repayment schedules. We noted that all the loans were being serviced on a timely basis as per the contractual agreements, principally by predetermined monthly deductions from the Company's various bank accounts. • Confirmed the balances, reviewed the maturity schedule for repayment, tested the interest calculations and determined that the total borrowings represented obligations by the Company. • Tested the effectiveness of controls over the timely repayment of loans and other credit facilities and noted that they are compliant with the various agreements. We had robust discussions with senior management regarding the growth and expansion strategy using debt as the principal means of growth and expansion and the ultimate strategy to reduce debt capital over the long term. A downside to this strategy is the inherent liquidity risk that the cash generating units acquired, may not perform as expected, resulting in the Company being unable to meet its obligations as they fall due. Management is mindful of this inherent liquidity risk. However, management is confident that their strategic growth and expansion plan will continue to perform based on historical performance and anticipated future positive trends, due to the encouraging economic factors being experienced in the marketplace. Management is of the opinion that adequate safeguards are in place as they have implemented the necessary policies and procedures including scenario analysis, alternative payment strategies in the event of cash flow challenges and direct monitoring of the individual borrowings. We evaluated the performance of the borrowing portfolio subsequent to the end of the reporting period to determine whether there was a need for any adjustment or whether there were any default or breach of any terms of financial covenants. There were no adverse findings. We also reviewed legal and bank confirmations and correspondences, and we did not identify any negative matters or need for adjustment at the time of approval and signing of the audit report by the Board of Directors.

Report on the audit of the financial statements (continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

…/6

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.

…/7

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of
Future Energy Source Company Limited
Page 7

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters 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.

…/8

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of
Future Energy Source Company Limited
Page 8

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this Independent Auditors' Report is Wayne Strachan.

Baker Tilly

Chartered Accountants
Kingston, Jamaica
29 June 2023

Future Energy Source Company Limited

Statement of Financial Position
As at 31 March 2023

	Note	2023	2022
		$	$
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	2,746,177,340	1,138,450,233
Right-of-use assets	6	-	548,321
Finance lease receivables	7	25,151,486	1,668,087
		2,771,328,826	1,140,666,641
Current Assets			
Inventories	8	94,885,856	49,028,494
Trade and other receivables	9	660,259,672	467,382,808
Taxation recoverable		6,821,387	470,450
Current portion of finance lease receivables	7	5,602,595	5,808,484
Cash and cash equivalents	10	287,878,480	1,128,622,690
		1,055,447,990	1,651,312,926
TOTAL ASSETS		3,826,776,816	2,791,979,567
EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	11	228,327,973	228,327,973
Retained earnings		1,073,529,339	542,262,586
		1,301,857,312	770,590,559
Non-Current Liabilities			
Long term liabilities	12	1,766,908,066	1,005,468,111
Lease liabilities	6	-	-
Deferred tax liabilities	13	4,515,611	1,267,424
		1,771,423,677	1,006,735,535
Current Liabilities			
Trade and other payables	14	510,442,376	750,899,606
Short term loans	15	-	157,110,333
Current portion of long term liabilities	12	243,053,451	105,910,505
Current portion of lease liabilities	6	-	733,029
		753,495,827	1,014,653,473
TOTAL EQUITIES AND LIABILITIES		3,826,776,816	2,791,979,567

Approved for issue by the Board of Directors on 29 June 2023 and signed on its behalf by:

Director
Trevor Heaven

Director
Jeremy Barnes

Future Energy Source Company Limited

Statement of Comprehensive Income
Year ended 31 March 2023

	Note	2023	2022
		$	**$**
Turnover	16	26,282,165,790	12,671,115,147
Cost of sales		(25,394,347,783)	(12,281,766,124)
Gross profit		887,818,007	389,349,023
Other income	17	3,732,315	1,867,217
Operating and administrative expenses	18	(307,287,423)	(133,942,251)
Impairment losses on financial assets	3(a)	(17,863,251)	(2,324,990)
Operating profit	19	566,399,648	254,948,999
Finance income, net	20	8,115,292	2,935,693
Profit before taxation		574,514,940	257,884,692
Taxation	22	(3,248,187)	(4,244,248)
Net profit for the year, being total comprehensive income		571,266,753	253,640,444
Earnings per ordinary stock unit attributable to stockholders of the company	24	$0.229	$0.102

Future Energy Source Company Limited

Statement of Changes in Equity
Year ended 31 March 2023

	Note	Number of stock units	Share Capital	Retained Earnings	Total
			$	$	$
Balances at 1 April 2021		2,200,000,000	4,802,000	313,622,142	318,424,142
Issue of shares	11	300,000,000	223,525,973	-	223,525,973
Dividends paid	25	-	-	(25,000,000)	(25,000,000)
Total comprehensive income		-	-	253,640,444	253,640,444
Balances at 31 March 2022		2,500,000,000	228,327,973	542,262,586	770,590,559
Dividends paid	25		-	(40,000,000)	(40,000,000)
Total comprehensive income			-	571,266,753	571,266,753
Balances at 31 March 2023		2,500,000,000	228,327,973	1,073,529,339	1,301,857,312

Future Energy Source Company Limited

Statement of Cash Flows
Year ended 31 March 2023

	Note	2023 $	2022 $
CASH RESOURCES WERE PROVIDED BY/(USED IN):			
Cash Flows from Operating Activities			
Profit before taxation		574,514,940	257,884,692
Adjustments for:			
Depreciation	5	28,416,394	11,349,283
Amortization on right-of-use assets	6(i)	548,321	1,807,333
Impairment losses on financial assets	3(a)	17,863,251	2,324,990
Foreign exchange losses		2,053,145	2,097,148
Lease interest expense		15,650	139,596
Loss on disposal of property, plant and equipment		3,056,650	-
Interest income		(23,364,777)	(12,641,125)
Interest expense		17,286,980	7,468,688
		620,390,554	270,430,605
Changes in operating assets and liabilities:			
Increase in inventories		(45,857,362)	(30,057,906)
Increase in trade and other receivables		(210,740,115)	(278,303,032)
(Decrease)/increase in payables		(216,564,125)	565,799,484
Increase in restricted cash and cash equivalents	10	(65,510,527)	(18,500,000)
Cash provided by operating activities		81,718,425	509,369,151
Income tax paid		(6,350,937)	(36,893,678)
Interest received		23,364,777	12,641,125
Interest paid		(17,302,630)	(7,608,284)
Net cash provided by operating activities		81,429,635	477,508,314
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	5	(1,639,200,151)	(893,627,643)
Finance lease receivable, net		(23,277,510)	7,655,492
Cash used in investing activities		(1,662,477,661)	(885,972,151)
Balance carried forward		(1,581,048,026)	(408,463,837)

Future Energy Source Company Limited

Statement of Cash Flows (continued)
Year ended 31 March 2023

	Note	2023 $	2022 $
Balance brought forward		(1,581,048,026)	(408,463,837)
Cash Flows from Financing Activities			
Issue of shares	11	-	223,525,973
Long term liabilities, net		898,582,901	1,069,376,201
Short term loans, net		(157,110,333)	157,110,333
Lease principal payments		(733,029)	(1,945,486)
Dividends paid	25	(63,893,105)	-
Cash provided by financing activities		676,846,434	1,448,067,021
Net (decrease)/increase in cash and cash equivalents		(904,201,592)	1,039,603,184
Net effect of foreign currency translation on cash and bank		(2,053,145)	(2,097,148)
Cash and cash equivalents at the beginning of the year		1,110,122,690	72,616,654
CASH AND CASH EQUIVALENTS AT END OF YEAR		203,867,953	1,110,122,690
Represented by:			
Cash and cash equivalents	10	203,867,953	1,110,122,690

1. Identification and Principal Activities

Future Energy Source Company Limited was incorporated under the provisions of the Companies Act on February 4, 2013, and is domiciled in Jamaica. The company's registered office and place of business is located at 7-9 Beechwood Avenue, Kingston 5.

The company was listed on the Junior Market of the Jamaica Stock Exchange on April 23, 2021.

The company carries on the business of retail and wholesale trading activities in petroleum and automotive products, under the trade mark FESCO.

These financial statements are presented in Jamaican dollars, which is the functional currency.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board and have been prepared under the historical cost convention, as modified by the valuation of certain items. They are also prepared in accordance with the provisions of the Jamaican Companies Act.

The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgement in complexity or areas where assumptions or estimates are significant to the financial statements are discussed in note 4.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the company's operations

The following standards have been adopted by the company for the first time which have been issued and are effective for mandatory adoption for the financial year beginning on or after 1 January 2022:

Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022). In March 2018, the IASB issued the 2018 Conceptual Framework and most references to the Framework included in IFRSs were updated to the 2018 Framework at that time. However, paragraph 11 of IFRS 3 Business Combinations, which continued to refer to the 1989 Framework, was not updated as this could have caused conflicts for entities applying IFRS 3. IASB identified three possible amendments to IFRS 3 that would update IFRS 3 without significantly changing its requirements. The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) (effective for annual periods beginning on or after 1 January 2022) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the company's operations (continued)

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37), (effective for annual periods beginning on or after 1 January 2022) specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Standards 2018–2020 are effective for annual reporting periods beginning on or after 1 January 2022. These amendments include minor changes to the following applicable standards:

- IFRS 9 'Financial Instruments' - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- IFRS 16 'Leases' - Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The amendments did not result in any material effect on the company's financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretation to existing standards have been issued which are not yet effective, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by management.

The amendments in Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Deferred Tax related to assets and liabilities (Amendments to IAS 12 Income Taxes) (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the operations of the company.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are transalated into Jamaican dollars at the exchange rate prevailing at the date of the statement of financial position, that is, in the case of each currency, the Bank of Jamaica weighted average buying and selling rates at that date. Gains and losses arising from fluctuations in exchange rates are reflected in the statement of comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at rates to write off the carrying values of the assets over their expected useful lives. The rates used to write off the cost of assets are as follows:

Furniture, fixtures & equipment	10%
Buildings	2.5%
Signage	10%
Computers, equipment & software	20%
Right-of-use assets	over the period of the lease term

Land is not depreciated as it is deemed to have an infinite life. The asset' residual values and useful lives are revised and adjusted if appropriate, at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Repairs and maintenances are charged to the statement of comprehensive income during the financial period in which they are incurred.

(d) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, short term deposits and bank overdraft (excluding restricted cash).

2. Summary of significant accounting policies (continued)

(e) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. For trade receivables impairment provisions, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

Under the simplified approach within IFRS 9, the impairment provision is assessed using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(f) Inventories

Inventory are stated at the lower of cost and net realizable value, cost being determined on a first in first out basis. Net realizable value is the estimate of the selling price in the ordinary course of the business, less selling expenses.

(g) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Dividends

Dividends on ordinary shares are recognized in shareholder’s equity in the period in which they become legally payable. Interim dividends are due when declared and approved by the directors while shareholders approve final dividends at the Annual General Meeting. Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

2. Summary of significant accounting policies (continued)

(i) Income taxes

Where applicable, taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(j) Payables

Payables, including provisions, are stated at their nominal value. A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of General Consumption Tax. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for the company’s activities, which include the provision of petroleum and automotive products.

2. Summary of significant accounting policies (continued)

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Summary of significant accounting policies (continued)

(m) Related party transactions

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the company that gives it significant influence over the company; or has joint control over the company;

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venturer;

(iv) the party is a member of the key management personnel of the company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv)

(vi) the party is the company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party has a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The company has a related party relationship with its directors and key management personnel, representing certain senior officers of the company.

2. Summary of significant accounting policies (continued)

(n) Financial Instruments

Classification
The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Measurement
At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. Summary of significant accounting policies (continued)

(n) Financial Instruments (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2. Summary of significant accounting policies (continued)

(o) Impairment

At each statement of financial position date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

2. Summary of significant accounting policies (continued)

(p) Right-of-use assets and related lease liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

(i) Leases of low value assets; and
(ii) Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company' incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

(i) amounts expected to be payable under any residual value guarantee;
(ii) the exercise price of any purchase option granted in favour of the company if it is reasonable certain to assess that option;
(iii) any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

To determine the incremental borrowing rate, the company:

(i) since it does not have recent third-party financing, uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, and
(ii) makes adjustments specific to the lease, e.g. term, currency and security.

2. Summary of significant accounting policies (continued)

(p) Right-of-use assets and related lease liabilities (continued)

Right of use assets are initially measured at the amount of the lease liabilities, reduced for any lease incentives received, and increased for:

(i) lease payments made at or before commencement of the lease;
(ii) initial direct costs incurred; and
(iii) the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets valued as US$5,000 or less when new. The company has no short-term leases or leases for low valued assets at this time.)

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the company. These are used to maximise operational flexibility in terms of managing the assets used in the company' operations. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

2. Summary of significant accounting policies (continued)

(p) Right-of-use assets and related lease liabilities (continued)

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

(q) Segment report

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

The company’s activities are limited to the retail and wholesale trading activities in petroleum and automotive products and related products to Jamaican consumers, operating in a single segment, therefore no additional segment information is provided.

3. Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and capital management. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Audit Committee

The Board of Directors has also established an Audit Committee to assist in managing the Company's risk profile. This Committee oversees how management monitors compliance with the Company's risk management policies and reviews the adequacy of the risk management framework. This committee is also assisted by Internal Audit that reports to the Audit Committee after it undertakes regular and ad hoc reviews of risk management controls and procedures, especially over receivables.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and short-term investments and financial institutions, as well as outstanding receivables from credit sales.

Risk management

Management has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by management.

Management determines concentrations of credit risk by monitoring the credit-worthiness rating of existing customers and through a monthly review of the trade receivables ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval.

3. Financial risk management (continued)

(a) Credit risk (continued)

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The company does not hold any collateral as security.

Impairment of financial assets
The company has one type of financial asset that is subject to the expected credit loss model:

- Trade receivables for sale of petroleum and automotive products.

While due from/(to) related parties and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables
The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2023 and 31 March 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP, inflation and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

3. Financial risk management (continued)

(a) Credit risk (continued)

On that basis, the loss allowance as at 31 March 2023 and 31 March 2022 was determined as follows for trade receivables:

31 March 2023	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.77%	12.53%	1.48%	14.38%	5.77%
Gross carrying amount – trade receivables	264,343,800	90,237,121	37,747,447	70,813,618	463,141,986
Loss allowance	4,671,817	11,307,884	559,478	10,184,945	26,724,124

31 March 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.28%	2.01%	13.55%	12.53%	2.24%
Gross carrying amount – trade receivables	218,563,238	134,985,448	16,430,631	26,394,772	396,374,089
Loss allowance	614,492	2,713,260	2,227,053	3,306,068	8,860,873

The closing loss allowances for trade receivables as at 31 March 2023 and 31 March 2022 reconcile to the opening loss allowances as follows:

	Trade receivables 2023 $	Trade receivables 2022 $
Opening expected credit loss allowance	8,860,873	6,535,883
Increase in loss allowance recognised in profit or loss during the year	17,863,251	2,324,990
Closing expected credit loss allowance (Note 9)	26,724,124	8,860,873

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than 90 days past due.

3. Financial risk management (continued)

(a) Credit risk (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 March 2023 there were no lifetime expected credit losses of the full value of the receivables.

Other financial assets at amortised cost
Other financial assets at amortised cost include due from/(to) related parties and key other receivables.

While the other financial assets at amortised cost are subject to the impairment requirements of IFRS 9, the identified impairment loss was considered immaterial.

At the Statement of Financial Position date, except for trade receivables, there were no significant concentration of expected credit losses on related parties balances that were considered material.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

3. Financial risk management (continued)

(a) Credit risk (continued)

Net impairment losses on financial assets recognised in profit or loss
During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	2023	2022
	$	$
Impairment losses		
- movement in loss allowance for trade receivables	17,863,251	2,324,990
Net impairment losses on trade receivables	17,863,251	2,324,990

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process
The company's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis;

(ii) Maintaining marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining a committed line of credit.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

3. Financial risk management (continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities
The maturity profile of the company's financial liabilities at year end on contractual undiscounted payments was as follows:

	1 to 3 months	3 to 12 months	1 to 5 years	Total	Carrying amount
	$	$	$	$	$
			2023		
Long term liabilities	76,149,322	343,841,948	2,255,258,316	2,675,249,586	2,009,961,517
Trade and other payables	510,442,376	-	-	510,442,376	510,442,376
	586,591,698	343,841,948	2,255,258,316	3,185,691,962	2,520,403,893
			2022		
Long term liabilities	21,237,468	153,989,551	1,258,735,046	1,433,962,065	1,111,378,616
Lease liabilities	598,944	149,736	-	748,680	733,029
Trade and other payables	750,899,606	-	-	750,899,606	750,899,606
Short term loans	2,651,236	160,645,315		163,296,551	157,110,333
	775,387,254	314,784,602	1,258,735,046	2,348,906,902	2,020,121,584

Assets available to meet all of the liabilities and to cover financial liabilities include cash and cash equivalents.

(c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in interest rates (3(c)(i)) and foreign currency risk (3(c)(ii)). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk exposures are measured using sensitivity analysis. There has been no significant exposure to market risks or the manner in which the company manages and measures the risk.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The following table summarizes the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorized by the contractual re-pricing or maturity dates.

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Non-interest bearing	Total
	$	$	$	$	$	$
			2023			
Assets						
Finance lease receivables	466,883	1,400,649	3,735,063	25,151,486	-	30,754,081
Trade and other receivables	-	-	-	-	660,259,672	660,259,672
Cash and cash equivalents	16,078,731	-	250,707,885	-	21,091,864	287,878,480
Total financial assets	16,545,614	1,400,649	254,442,948	25,151,486	681,351,536	978,892,233
Liabilities						
Long term liabilities	20,254,454	60,763,362	162,035,635	1,692,362,566	74,545,500	2,009,961,517
Trade and other payables	-	-	-	-	510,442,376	510,442,376
Total financial liabilities	20,254,454	60,763,362	162,035,635	1,692,362,566	584,987,876	2,520,403,893
Total interest re- pricing gap	(3,708,840)	(59,362,713)	92,407,313	(1,667,211,080)	96,363,660	(1,541,511,660)

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Non-interest bearing	Total
	$	$	$	$	$	$
			2022			
Assets						
Finance lease receivables	484,040	1,452,120	3,872,324	1,668,087	-	7,476,571
Trade and other receivables	-	-	-	-	467,382,808	467,382,808
Cash and cash equivalents	31,087,846	-	1,050,316,758	-	47,218,086	1,128,622,690
Total financial assets	31,571,886	1,452,120	1,054,189,082	1,668,087	514,600,894	1,603,482,069
Liabilities						
Long term liabilities	1,048,274	2,116,244	102,745,987	1,005,468,111	-	1,111,378,616
Lease liabilities	146,605	439,817	146,607		-	733,029
Trade and other payables	-	-	-	-	750,899,606	750,899,606
Short term loans	13,092,528	26,185,056	117,832,749	-	-	157,110,333
Total financial liabilities	14,287,407	28,741,117	220,725,343	1,005,468,111	750,899,606	2,020,121,584
Total interest re- pricing gap	17,284,479	(27,288,997)	833,463,739	(1,003,800,024)	(236,297,712)	(416,639,515)

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

3. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to foreign exchange risk arising from currency exposure primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The company undertakes certain transactions denominated in currencies other than the Jamaican dollar resulting in exposures to exchange rate fluctuations.

Financial assets denominated in foreign currency are as such: -

	2023	2022
	$	$
Cash and cash equivalents	86,167,329	759,404,903
Long term loan	(7,545,645)	-
Payables	(27,626,077)	(118,964,415)
Total	50,995,607	640,440,488

	2023	2022
Currency		
USD	340,052	4,190,498
Rate of exchange	JMD 149.96	JMD 152.83

The following table demonstrates the sensitivity to a reasonably possible change in the following exchange rates of the company before tax with all other variables held constant.

Currency	Change in exchange rate	2023	2022
		$	$
Revaluation	1% (2022 – 2%)	(861,422)	(15,187,230)
Devaluation	4% (2022 – 8%)	3,445,688	60,748,920

(d) Fair value estimates

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The amount included in the financial statements for cash and cash equivalents, receivables, payables, short term loans and due from/(to) related parties reflect their approximates fair values because of the short-term maturity of these instruments. Long term liabilities, finance lease, and lease liabilities approximates amortized costs.

3. Financial risk management (continued)

(e) Capital management

The policy of the Board of Directors is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business and ensure it continues as a going concern.

The company considers its capital to be its total equity inclusive of unappropriated profits and share capital . The company's financial objective is to generate a targeted operating surplus, in order to strengthen and provide for the future continuity of the company as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors regularly review the financial position of the company at meetings and monitor the return on capital and the level of dividends to the ordinary shareholders. They seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Consistent with others in the industry, the company monitors capital based on the gearing ratio. This ratio is calculated as total borrowings divided by capital as defined above. Total borrowings is calculated as current and non-current borrowings, as shown in the statement of financial position. Capital is calculated as equity, as shown in the statement of financial position plus total borrowings. The management of the company remains deliberate in the way it funds its growth strategy and given the present economic environment and the general reduction in the cost of capital in the market; management continues to adjust major debts from a bullet repayment structure to that of amortization and lengthening of tenure.

	2023	2022
	$	$
Total borrowings (excluding lease liabilities)	2,009,961,517	1,268,488,949
Equity and total borrowings	3,311,818,829	2,039,079,508
Gearing ratio	60.69%	62.21%

4. Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates, assumptions and judgements that affect the reported amounts of, and disclosures relating to, assets, liabilities, income and expenses reported in these financial statements. Amounts and disclosures based on these estimates assumptions and judgements may be different from actual outcomes, and these differences may be reported in the financial statements of the next financial year. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Credit risk note.

(ii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain in the ordinary course of business. In cases of such uncertainty, the Company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

4. Critical accounting estimates and judgments in applying accounting policies (continued)

(iv) Valuation of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(v) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

5. Property, plant and equipment

	Land	Buildings	Signage	Furniture, fixtures & equipment	Computer equipment & software	Construction work-in-progress	Total
	$	$	$	$	$	$	$
Cost -							
1 April 2021	105,380,262	-	7,297,814	28,614,588	930,283	124,677,382	266,900,329
Additions	-	-	10,520,425	14,309,037	1,205,654	867,592,527	893,627,643
Transfers	-	468,051,050	-	88,940,511	-	(556,991,561)	-
31 March 2022	105,380,262	468,051,050	17,818,239	131,864,136	2,135,937	435,278,348	1,160,527,972
Additions	213,103,110	7,378,916	9,838,867	8,390,641	5,175,815	1,395,312,802	1,639,200,151
Disposal	-	-	-	(3,246,000)	-	-	(3,246,000)
31 March 2023	318,483,372	475,429,966	27,657,106	137,008,777	7,311,752	1,830,591,150	2,796,482,123
Depreciation -							
1 April 2021	-	-	1,595,506	8,533,586	599,364	-	10,728,456
Charge for year	-	3,315,794	1,166,838	6,629,337	237,314	-	11,349,283
31 March 2022	-	3,315,794	2,762,344	15,162,923	836,678	-	22,077,739
Charge for year	-	11,816,605	2,196,571	13,311,380	1,091,838	-	28,416,394
Relieved on disposal	-	-	-	(189,350)	-	-	(189,350)
31 March 2023	-	15,132,399	4,958,915	28,284,953	1,928,516	-	50,304,783
Net Book Value -							
31 March 2023	318,483,372	460,297,567	22,698,191	108,723,824	5,383,236	1,830,591,150	2,746,177,340
31 March 2022	105,380,262	464,735,256	15,055,895	116,701,213	1,299,259	435,278,348	1,138,450,233

6. Right-of-use assets and related lease obligations

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases: -

Right-of-use assets

	Property	Motor vehicles	Total
	$	$	$
1 April 2021	470,801	1,884,853	2,355,654
Amortization	(470,801)	(1,336,532)	(1,807,333)
31 March 2022	-	548,321	548,321
Amortization	-	(548,321)	(548,321)
31 March 2023	-	-	-

Lease liabilities

	2023	2022
	$	$
Balance as at beginning of year	733,029	2,678,515
Less total payment	(748,679)	(2,085,082)
Add interest expense	15,650	139,596
Balance as at end of year	-	733,029

	2023	2022
	$	$
Current portion	-	733,029
Non-current portion	-	-
31 March 2023	-	733,029

6. Right-of-use assets and related lease obligations (continued)

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2023	2022
	$	$
Amortization charged on right-of-use assets (included in administrative expenses)	548,321	1,807,333
Interest expense (included in finance costs)	15,650	139,596

(iii) Amounts recognized in the statement of cash flows

	2023	2022
	$	$
Total cash outflow for leases	748,679	2,085,082

7. Finance lease receivables

	2023	2022
	$	$
Balance as at beginning of year	7,476,571	15,132,063
Additions during the year	30,399,537	-
Less Payments during the year	(7,122,027)	(7,655,492)
Balance as at end of year	30,754,081	7,476,571

	2023	2022
	$	$
Gross investment in finance leases:		
Current portion	6,594,771	4,583,142
Non-current portion	29,460,175	9,001,075
	36,054,946	13,584,217
Less: Unearned finance income	(5,300,865)	(6,107,646)
	30,754,081	7,476,571
Represented by: -		
Current portion	5,602,595	5,808,484
Non-current portion	25,151,486	1,668,087
	30,754,081	7,476,571

8. Inventories

	2023	2022
	$	$
Pumps and supplies	52,486,699	14,846,878
Fuel and accessories	27,886,445	21,502,996
Goods in transit	14,512,712	12,678,620
	94,885,856	49,028,494

For the years ended 31 March 2023 and 2022, there were no written off of inventories.

9. Trade and other receivables

	2023	2022
	$	$
Trade receivables	463,141,986	396,374,089
Prepayments	23,005,050	-
Other	200,836,760	79,869,592
	686,983,796	476,243,681
Less: Impairment losses on financial assets (Note 3(a))	(26,724,124)	(8,860,873)
	660,259,672	467,382,808

Included in trade receivables are amounts totalling $140,291,516 (2022: $187,140,359) due from related parties in the ordinary course of business. The companies are related by way of common shareholders and directors. These balances are trading balances and are in line with the company's credit terms.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

10. Cash and cash equivalents

	2023	2022
Short term investments:	$	$
Barita Investments Limited	7,972,990	7,873,656
NCB Capital Markets Limited	100,461,583	1,012,202,043
	108,434,573	1,020,075,699
Cash at bank	158,352,043	96,765,432
Cash in hand	21,091,864	11,781,559
	287,878,480	1,128,622,690

i. Short term investments are held at licensed financial institutions and attract interest at 2% - 8% per annum. They all have remaining maturities of less than one year, substantially comprise Reverse Repurchase Agreements on Certificates of Participation, consisting of interest in, or is collaterised by mainly Government of Jamaica and Bank of Jamaica Securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The risk is managed primarily by reviews of the financial status of the counterparty.

ii. Cash at bank comprise savings and non-interest-bearing current accounts at licensed commercial banks in Jamaica. The rate of interest earned on the company's savings accounts range from 0.10% to 0.35% for accounts that are denominated in United States Dollars, and 0.35% for those that are denominated in Jamaican Dollars.

iii. Cash at bank include an amount of $84,010,527 (2022: $18,500,000) which is held as a Debt Service Reserve, under the terms of the Secured Bond Issue (see Note 12). The amount has been charged as security for the repayment of principal and interest due under the bond, and accordingly, cannot be used for any other purposes.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023	2022
	$	$
Cash at bank	287,878,480	1,128,622,690
Less: Restricted cash	(84,010,527)	(18,500,000)
	203,867,953	1,110,122,690

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

11. Share capital

	2023 No. of shares	2022 No. of shares
Authorised ordinary shares at no par value	Unlimited	Unlimited

	2023 $	2022 $
Issued and fully paid-		
Share capital at beginning of year - 2,500,000,000 (2022: 2,200,000,000) ordinary stock units of no par value	228,327,973	4,802,000
Shares issued during the year - Nil (2022: 300,000,000) ordinary stock units of no par value	-	223,525,973
Share capital at end of year - 2,500,000,000 (2022: 2,500,000,000) ordinary stock units of no par value	228,327,973	228,327,973

The Company was listed on the Junior Market of the Jamaica Stock Exchange on April 23, 2021 and the proceeds of the fully subscribed 300,000,000 newly issued ordinary shares amounted to $223,525,973, net of transaction costs.

12. Long term liabilities

		2023	2022
		$	$
Unsecured Corporate Jumbo Bonds	(a)	990,800,000	988,500,000
Partially Secured Corporate Bond	(b)	682,376,922	-
Cornerstone Trust & Merchant Bank Limited	(c)	-	24,634,574
Cornerstone Trust & Merchant Bank Limited	(d)	-	92,889,667
Cornerstone Trust & Merchant Bank Limited	(e)	256,884,720	-
Fesco Founders Pool Limited	(f)	74,545,500	-
		2,004,607,142	1,106,024,241
Interest payable		5,354,375	5,354,375
		2,009,961,517	1,111,378,616
Non-current portion		1,766,908,066	1,005,468,111
Current portion		243,053,451	105,910,505
		2,009,961,517	1,111,378,616

(a) The unsecured fixed rate bonds, which is denominated in Jamaican dollars, was issued in February 2022 and will be redeemable in February 2027. The bonds attract interest at 7.5% per annum and are payable quarterly. There is a moratorium on principal repayment for one year following the issue date, after which principal will be repaid in fifteen (15) equal consecutive quarterly instalments of $43.75M on the first day of each quarter with a balloon payment of $343.75M, being due and payable on the maturity date.

(b) The partially secured fixed rate bond, which is denominated in Jamaican dollars, was issued in December 2022 and is redeemable in December 2027. The bond attracts interest at 11.75% in the first three years, while the interest for the subsequent two years is to be decided. There is a moratorium on principal repayment for one year following the issue date, after which principal will be repaid in 16 quarterly payments of J$30.625M, post moratorium, with a balloon payment of J$210M at maturity.

(c) This loan, was received on January 7, 2019 for the purchase of lands located at Beechwood Avenue and Park Avenue, Kingston 5. The loan attracted interest of 7.5% per annum and was repayable over 60 equal monthly instalments of $1,202,277. The loan was repaid during the year.

(d) This loan, was received on April 28, 2021 for the construction purposes of property located at Beechwood Avenue and Park Avenue, Kingston 5. The loan attracted interest of 6.75% per annum. Interest on loan was paid monthly and principal was due upon maturity date of October 28, 2022. The loan was repaid during the year.

12. Long term liabilities (continued)

(e) This loan represents a consolidation of loans received prior for the purchase and build out the Beechwood Avenue location. The effective loan consolidation date is August 8, 2022. The duration of the loan is $8^{1/2}$ years. The loan attracts interest of 6.75% per annum and is repayable in 102 equal monthly instalments of $3,526,182.

(f) This loan was received on March 31, 2023, for the purpose of providing working capital support. The loan comprises of J$67,000,000 and US$50,000, which is unsecured, and attracts interest of 11.75% and 4% per annum, respectively. The principal JMD amount and principal USD amount are payable as one JMD and USD lump sum payment due in full on March 31, 2025. Interest is payable annually on the anniversary of the actual date of disbursement.

Long term liabilities are secured as follows: -

(i) The bond (b) is secured by First Legal Mortgage over land registered at Volume 612 Folio 37 in the Register Book of Titles, known as No 459 Spanish Town Road, being part of Penwood in the parish of St. Andrew stamped to cover J$108.75 million. The facility is also secured by Debt Service Account with one quarter's worth of debt service payments upon commencement of the Facility, with an additional one interest period's interest on the first anniversary of the Facility and any other form of security deemed necessary.

(ii) The loans (c) - (e) are secured by First and Second Legal Mortgage stamped and registered to cover J$276,000,000.00 over commercial real estate located at 7 to 9 Beechwood Avenue and 8 Park Avenue, Kingston 5, comprised in Certificates of Title registered at Volume 1202 Folio 754, Volume 1511 Folio 543 and Volume 1532 Folio 239 in the Register Book of Titles in the name of Future Energy Source Company Limited.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

13. Deferred income taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a tax rate of 25% (2022: 25%). Assets and liabilities recognised on the statement of financial position are as follows:

The movement on the net deferred income tax balance is as follows:

	2023	2022
	$	$
Balance at beginning of year	(1,267,424)	(827,892)
Deferred income charged to the statement of comprehensive income (Note 22)	(3,248,187)	(439,532)
Balance at end of year	(4,515,611)	(1,267,424)

Deferred income tax liabilities are attributable to the following:

	2023	2022
	$	$
Deferred income liabilities:		
Accelerated tax depreciation	(4,515,611)	(1,267,424)
Net liabilities at end of year	(4,515,611)	(1,267,424)

The amounts shown in the statement of financial position include the following:

	2023	2022
	$	$
Deferred tax liabilities to be settled:		
- after more than 12 months	(4,515,611)	(1,267,424)
- within 12 months	-	-
	(4,515,611)	(1,267,424)

14. Trade and other payables

	2023	2022
	$	$
Trade payables	450,142,917	699,846,622
Accruals	59,192,564	26,052,984
Dividend payable	1,106,895	25,000,000
	510,442,376	750,899,606

15. Short term loans

		2023	2022
		$	$
Cornerstone Trust & Merchant Bank Limited	(a)	-	132,820,610
Cornerstone Trust & Merchant Bank Limited	(b)	-	24,289,723
		-	157,110,333

(a) This loan, was received in November 29, 2021 and attracted interest of 6.75% per annum. Interest on loan was paid monthly and principal was due on the maturity date of October 29, 2022. The loan was repaid during the year.

(b) This loan, was received on March 17, 2022 and attracted interest of 6.75% per annum. Interest on loan is paid monthly and principal is due on the maturity date of October 17, 2022. The loan was repaid during the year.

Loans (a) and (b) are secured by commercial real estate properties. See note 12 (c) and 12 (d).

16. Turnover

Turnover represents the invoiced value of goods and services, net of discounts and General Consumption Tax.

17. Other income

	2023	2022
	$	$
Tank rental	240,000	360,000
Commission	2,743,750	1,500,117
Other income	748,565	7,100
	3,732,315	1,867,217

18. Expenses by nature

Operating and administrative expenses

	2023	2022
	$	$
Accounting fee	2,749,000	1,795,000
Advertising and promotion	15,585,961	12,457,343
Amortization of right-of-use assets	548,321	1,807,333
Audit fee	5,800,000	3,500,000
Bank charges	22,493,851	4,573,629
Depreciation	28,416,394	11,349,283
Directors' fees	3,785,000	4,955,000
Donations	3,227,952	-
Insurance	8,298,096	3,221,328
Legal and professional fees	33,448,284	15,834,596
Motor vehicle	4,647,809	2,094,863
Office expenses	11,345,230	6,472,698
Repairs and maintenance	18,026,651	2,779,723
Security	14,392,475	3,614,906
Staff costs (Note 21)	115,679,859	49,650,104
Utilities	11,753,655	4,408,877
Other expenses	7,088,885	5,427,568
	307,287,423	133,942,251
Impairment losses on financial assets (Note 3(a))	17,863,251	2,324,990
Cost of inventories recognised as expense	25,394,347,783	12,281,766,124
Finance income, net (Note 20)	(8,115,292)	(2,935,693)
	25,711,383,165	12,415,097,672

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

19. Operating profit

In arriving at the operating profit, the following have been charged:

	2023	2022
	$	$
Auditors' remuneration	5,800,000	3,500,000
Depreciation	28,416,394	11,349,283
Loss on disposal of property, plant and equipment	3,056,650	-
Amortization of right-of-use assets	548,321	1,807,333
Directors' emoluments		
Directors' fees	3,785,000	4,955,000
Management renumeration (included in staff costs)	15,000,000	15,000,000
Impairment losses on financial assets	17,863,251	2,324,990
Staff costs (Note 21)	115,679,859	49,650,104

20. Finance income, net

	2023	2022
	$	$
Foreign exchange (gains)/losses, net	(2,053,145)	2,097,148
Interest income	(23,364,777)	(12,641,125)
	(25,417,922)	(10,543,977)
Lease interest expense	15,650	139,596
Interest expense	17,286,980	7,468,688
	(8,115,292)	(2,935,693)

21. Staff costs

	2023	2022
	$	$
Salaries and wages	96,116,371	40,919,477
Statutory contributions	10,981,936	4,601,218
Staff welfare	7,994,412	3,992,747
Casual labour	587,140	136,662
	115,679,859	49,650,104
Number of persons employed at the end of the year:		
Full time	68	47

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

22. Taxation

(a) Taxation is computed on the operating profit for the year adjusted for taxation purposes and comprises:

	2023	2022
	$	$
Income tax at the appropriate rate	-	3,804,716
Deferred income taxes (Note 13)	3,248,187	439,532
	3,248,187	4,244,248

(b) The taxation charge in the statement of comprehensive income account differs from the theoretical amount that would arise using the income tax rate of 25%, as follows:

	2023	2022
	$	$
Profit before taxation	574,514,940	257,884,692
Tax calculated at a tax rate of 25%	143,628,735	64,471,173
Adjusted for the effects of:		
Expenses not allowable for tax purposes	2,297,312	3,047,620
Employment tax credit	(17,244,935)	(6,700,066)
Remission of income tax	(125,432,925)	(56,574,479)
	3,248,187	4,244,248

(c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE) on April 23, 2021. Consequently, the company is eligible for remission of income taxes for a period of ten years, provided the following conditions are met:

(i) The company's shares remain listed for at least 15 years and is not suspended from the JSE for any breach of its rules.

(ii) The subscribed participating voting share capital of the company does not exceed $500 million.

The remission will apply in the following proportions:
(a) Years 1 to 5 (April 23, 2021 – April 22, 2026) – 100%
(b) Years 6 to 10 (April 23, 2026 – April 22, 2031) – 50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2023

23. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions and balances are recognised and disclosed below for the following:

(a) Enterprises over which a substantial interest in the voting power is owned by key management personnel' including directors and officers and close members of families; or

(b) Enterprises over which such a person, in (a) above, is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the company.

	2023	**2022**
	$	**$**
At the statement of financial position date: -		
Due from related parties-Trade receivables (Note 9):	140,291,516	187,140,359
Due to related party-Long term loan (Note 12)		
Fesco Founders Pool Limited	(74,545,500)	-
	65,746,016	187,140,359
Charged to statement of comprehensive income: -		
Directors' fees	3,785,000	4,955,000
Management renumeration	15,000,000	15,000,000
Sales to related parties	(11,265,389,669)	(6,561,990,271)

24. Earnings per stock unit

	2023	2022
	$	$
Net profit attributable to stockholders of the company	571,266,753	253,640,444
Weighted average number of stock units	2,500,000,000	2,493,424,658
Basic earnings per stock ($ per stock)	$0.229	$0.102

Earnings per stock unit ("EPS") is computed by dividing the net profit attributable to stockholders of $571,266,753 (2022: $253,640,444) by the weighted average number of ordinary stock units in issue during the year, numbering 2,500,000,000 (2022: 2,493,424,658).

The increase in number of stock units represents stock issued through an Initial Public Offering of 300,000,000 stock units on April 23, 2021. (See Note 11).

25. Dividends

	2023	2022
	$	$
Declared at $0.016 (2022: $0.010) per stock	40,000,000	25,000,000
Total dividends to stockholders	40,000,000	25,000,000

At the Annual General meeting held on September 23, 2022, it was resolved and declared that a final dividend payment for the year ended March 31, 2022 at $0.016 per ordinary stock unit on record date October 7, 2022, ex-dividend date October 6, 2022 be paid on October 28, 2022.

On March 30, 2022, the Board of Directors approved by way of resolution declared and paid a dividend of $0.01 per stock unit payable on June 24, 2022 to stockholders on record as at April 22, 2022.

26. Contingent liabilities and commitments

The company is subject to various claims, disputes and legal proceedings, which occur as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its legal advisors, it is probable that a payment will be made by the Company and the amount can be reasonably estimated. In respect of claims asserted against the Company, which, according to the principles outlined above, have not been provided for, management is of the opinion as at 31 March 2023, there were no material legal claims threatened against the Company.

Management reported that as at 31 March 2023, the Company had capital commitments of $100 Million (2022 - $1.3 Billion).

27. Subsequent event

In April 2023, the company acquired the LPG assets of Wilson Beck LPG including its Bernard Lodge filling plant and commenced its supply of LPG to the market under the FESGAS brand. FESGAS, a registered trade mark of the company, will market butane and propane to domestic, retail and industrial customers under the trade mark FESGAS.

It is anticipated that in the coming years LPG will form a significant part of the company's fuel business activities.

FUTURE ENERGY SOURCE COMPANY LIMITED
(FESCO)

Top 10 Shareholders as at March 31, 2023

	Shareholder	Number of Shares	% of Issued Shares
1	Trevor Barnes	347,765,082	13.9106%
2	Errol McGaw	347,652,831	13.9061%
3	Barita Investmnet Ltd - Long A/C	257,911,012	10.3164%
4	Trevor Heaven Holdings Ltd.	218,768,155	8.7507%
5	Tweedside Holdings	215,862,436	8.6345%
6	Junior Williams	134,738,750	5.3896%
7	Neville Allen	134,330,478	5.3732%
8	Anna Williams -Bacchus	125,000,000	5.0000%
9	Jeremy Barnes	95,000,000	3.8000%
10	FESCO Founders' Pool Ltd.	65,549,800	2.6220%
		1,942,578,544	77.7031%

Issued Shares	2,500,000,000

FUTURE ENERGY SOURCE COMPANY LIMITED
(FESCO)

Shareholdings of Directors & Senior Managers as at March 31, 2023

DIRECTORS	Personal Shareholdings	Connected Parties' Shareholdings	Total	% of Issued Shares
Trevor Barnes	347,765,082	63,613,576	411,378,658	16.4551%
Jeremy Barnes	95,000,000	284,475	95,284,475	3.8114%
Harry Campbell	1,051,948	-	1,051,948	0.0421%
Hugh Coore	12,985,088	277,816,495	290,801,583	11.6321%
Gloria DeClou	-	-	-	0.0000%
Lyden Heaven	5,778,520	281,285,503	287,064,023	11.4826%
Vernon James	17,000,000	-	17,000,000	0.6800%
Errol McGaw	347,652,831	61,770,000	409,422,831	16.3769%
Eaton Parkins	39,569,544	97,966	39,667,510	1.5867%
Belinda Williams	250,000	-	250,000	0.0100%
Junior Williams	134,738,750	61,750,000	196,488,750	7.8596%
SENIOR MANAGERS				**% of Issued Shares**
Karen Jones	375,602	-	375,602	0.0150%
Omar Morgan	-	-	-	-
Andre Royes	-	-	-	-
COMPANY SECRETARY				**% of Issued Shares**
Kayola Muirhead	-	808,069	808,069	0.0323%

Issued Shares	2,500,000,000	
Combined Directors' Holdings	1,001,791,763	40.072%
Combined Connected Party Holdings	499,598,015	19.984%
Combined Holdings	1,501,389,778	60.056%