

**COMBINED INITIAL  
PUBLIC OFFERING  
& OFFER FOR SALE**



PROUDLY *JAMAICAN*

**FUTURE ENERGY SOURCE COMPANY LIMITED  
REGISTERED OFFICE: 13 PARAISO AVENUE,  
KINGSTON 10 TELEPHONE NUMBER: (876) 754-4017  
WEBSITE: [WWW.FESCOJA.COM](http://WWW.FESCOJA.COM)  
EMAIL: [IPO@FESCOJA.COM](mailto:IPO@FESCOJA.COM)**

# INTRODUCTION

A copy of this Prospectus (this “Prospectus”) was delivered to the Registrar of Companies for registration pursuant to section 40(2) of the Companies Act, 2004 and was so registered on the 22nd day of March 2021. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus.

Future Energy Source Company Limited has been registered with the Financial Services Commission (the “FSC”) with respect to the Shares pursuant to Section 26(1) of the Securities Act, and pursuant to such registration, a copy of this Prospectus was also delivered to the FSC for registration and it was so registered on the 24th day of March 2021. The FSC has neither approved the Shares nor has it passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

**Invitation for subscription of 300,000,000 newly issued Ordinary Shares priced at \$0.80 each and sale of 200,000,000 existing Ordinary Shares by the Selling Shareholders priced at \$0.80 each.**

Up to 325,000,000 Shares are initially reserved for priority application by the Reserved Share Applicants. At least 175,000,000 Shares in the Invitation, shall be made available for subscription/purchase by members of the general public.

DATED THE 22ND DAY OF MARCH 2021

INVITATION OPENS: MARCH 31, 2021 AT 9:00 A.M.

INVITATION CLOSES: APRIL 9, 2021 AT 4:00 P.M.

No person has been authorised to give any information or to make any representations other than those contained in this Prospectus.



## 1. INVITATION AT A GLANCE

Unless stated otherwise, capitalised terms used in this Prospectus shall have the meanings attributed to them in Section 6 of this Prospectus (Definitions).

The Company invites Applications on behalf of itself and the Selling Shareholders for the 500,000,000 Shares specified in the Invitation, of which 300,000,000 are newly issued Ordinary Shares for subscription and 200,000,000 are Ordinary Shares of the Selling Shareholders for sale, all of which are to be subsequently listed on the Junior Market of the Jamaica Stock Exchange (the “**JSE**”).

The Company is the agent of the Selling Shareholders in the Invitation for the purposes of acceptance of Applications to purchase the 200,000,000 Shares from the Selling Shareholders.

Up to 325,000,000 Shares are initially reserved for priority applications from Applicants falling within:

- a) the Broker Reserve Pool, priced at J\$0.80 per Share;
- b) the Key Partner Reserve Pool, priced at J\$0.80 per Share; and
- c) the Employee Reserve Pool, priced at J\$0.80 per Share.

If any of the Reserved Shares are not subscribed for or purchased by the persons entitled to them, they will become available for subscription or purchase by the general public, at a price of J\$0.80 per Share.

The Invitation will open at 9:00 a.m. on the 31st day of March 2021 (the “**Opening Date**”) and will close at 4:00 p.m. on the 9th day of April 2021 (the “**Closing Date**”), subject to the right of the Company in consultation with the Lead Arranger and Lead Broker to:

- a) close the Invitation at any time after it opens on the Opening Date if Applications have been received for the full amount of the Shares;
- b) suspend the acceptance of Applications at any time after the Opening Date of the Application List for such period as the Company shall

determine;

- c) withdraw the Invitation at any time after the Opening Date of the Application List and close such Application List without accepting any Applications, in which event, any amounts paid by the Applicants for the Shares shall be refunded in full to the Applicants; or
- d) extend the closing of the Invitation beyond the Closing Date, provided that such period does not extend beyond the expiration of forty (40) days after the publication of this Prospectus for the purposes of section 48 of the Act.

Notice of the occurrence of any of the above events will be given as soon as reasonably practicable via a press release and/or by posting a notice on the websites of the JSE at <https://www.jamstockex.com> and the Company at [www.fescoja.com](http://www.fescoja.com).

Applications submitted prior to the Opening Date will be received, but not processed until the Opening Date.

All Applications should be made on NCB Capital Market Limited’s GoIPO platform by logging onto the website <https://goipo.jncb.com> (**See Appendix 1 - GoIPO Portal Instructions**). Each Application must be accompanied/supported by payment for the full amount payable on purchase and/or subscription.

It is the intention of the Company to apply to the JSE for admission of all of the Ordinary Shares to the Junior Market of the JSE as soon as is conveniently possible following the Closing Date. The application to the Junior Market of the JSE is dependent on the Company’s ability to: (i) raise at least J\$400,000,000.00 as a result of the Invitation; and (ii) meet the criteria for admission. Please note that this statement of the Company’s intention is not a guarantee that the Ordinary Shares will in fact be admitted to the Junior Market.

If, however, the Company does not raise at least J\$400,000,000.00 within forty (40) days after the date of this Prospectus it will not make an application for the Ordinary Shares to be admitted to the Junior Market of the JSE, and all payments for Shares received from Applicants will be refunded in full to the Applicants in accordance with the terms herein. Further, if the Company raises at least J\$400,000,000.00 but does not meet the criteria for admission to the Junior Market, all payments for Shares received from Applicants will be refunded in full in accordance with the terms herein.

## 1.1 SHARE CAPITAL

As of the date of this Prospectus, the capital structure of the Company is as follows:

<b>AUTHORISED SHARE CAPITAL</b>	<b>NO MAXIMUM</b>
<b>ISSUED PRIOR TO INVITATION</b>	<b>2,200,000,000</b>
<b>MAXIMUM TO BE ISSUED BY THE COMPANY IN THE INVITATION, FULLY PAID</b>	<b>300,000,000</b>
<b>MAXIMUM TO BE SOLD BY SELLING SHAREHOLDERS IN THE INVITATION, FULLY PAID</b>	<b>200,000,000</b>

## 1.2 CONSIDERATION

Total consideration, assuming all Shares in the Invitation are fully subscribed for and/or purchased by the persons entitled to them:

	<b>J\$</b>
<b>125,000,000 KEY PARTNER RESERVE SHARES AT J\$0.80 EACH</b>	<b>\$100,000,000.00</b>
<b>175,000,000 BROKER RESERVE SHARES AT J\$0.80 EACH</b>	<b>\$140,000,000.00</b>
<b>25,000,000 EMPLOYEE RESERVE SHARES AT J\$0.80 EACH</b>	<b>\$20,000,000.00</b>
<b>175,000,000 SHARES FOR THE GENERAL PUBLIC AT J\$0.80 EACH</b>	<b>\$140,000,000.00</b>
<b>TOTAL CONSIDERATION</b>	<b>\$400,000,000.00</b>

<b>AMOUNT DUE TO THE COMPANY IN RESPECT OF 300,000,000 SHARES FOR SUBSCRIPTION:</b>	<b>J\$240,000,000.00</b>
<b>AMOUNT DUE TO THE SELLING SHAREHOLDERS IN RESPECT OF 200,000,000 SHARES FOR SALE:</b>	<b>J\$160,000,000.00</b>

**APPLICANTS AND INVITEES ARE ENCOURAGED TO SEEK THE ADVICE OF AN INDEPENDENT FINANCIAL PROFESSIONAL, ATTORNEY-AT-LAW OR CHARTERED ACCOUNTANT BEFORE MAKING AN INVESTMENT DECISION.**



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PROUDLY **JAMAICAN**





# IMPORTANT NOTICES & DISCLAIMERS

- 3.1 RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS
- 3.2 THE INVITATION IS MADE TO JAMAICAN RESIDENTS IN JAMAICA ONLY
- 3.3 APPLICATION TO SUBSCRIBE FOR SHARES



### 3.1 RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

The directors of the Company, whose names appear in Section 10 of this Prospectus (the “**Directors**”) have reviewed the contents of this Prospectus and accept full responsibility, collectively and individually, for all the information contained herein relating to the Company. The Directors have taken all reasonable care to ensure that, to the best of their knowledge and belief:

- a) the information given herein is true and accurate in all material respects and is not misleading in any material respect;
- b) any opinions, predictions, or intentions expressed herein on the part of the Company are honestly held or made and are not deliberately misleading in any material respect;
- c) that insofar as reasonably possible, all proper inquiries have been made to ascertain and to verify the foregoing; and
- d) this Prospectus does not contain any untrue statement of a material fact or fail to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they are made, not misleading.

### 3.2 THE INVITATION IS MADE TO JAMAICAN RESIDENTS IN JAMAICA ONLY

This Prospectus is intended for use in Jamaica only and is not to be construed as an invitation to persons outside of Jamaica to subscribe for or purchase any Shares. The distribution or publication of this Prospectus and the making of the Invitation in certain jurisdictions outside of Jamaica is prohibited by law.

### 3.3 APPLICATION TO SUBSCRIBE FOR SHARES

This Prospectus is not a recommendation by the Company that Invitees should submit Applications to subscribe for or purchase Shares. Invitees are expected to make their own assessment of the Company and the merits and risks of subscribing for or purchasing Shares. Invitees are also expected to seek appropriate advice on the financial and legal implications of subscribing for or purchasing Shares including, but not limited to, any tax implications.

Each Applicant who submits an Application acknowledges and agrees that:

- a) they have been afforded a meaningful opportunity to review this Prospectus and to gather and review all additional information considered by such Applicant to be necessary to verify the accuracy of the information contained in this Prospectus;
- b) they have not relied on the Company nor any persons affiliated with the Company or the legal or other professional advisors to the Company in connection with their investigation of the accuracy of such information or their investment decision; and
- c) no person has been authorised to give information or to make any representation concerning the Company or the Invitation comprised in this Prospectus or the Shares as may be issued or sold pursuant to this Prospectus or to provide information or to make any representation whatsoever in connection with this Prospectus (other than as contained in this Prospectus, and information given by duly authorised officers and employees of the Company in connection with the Applicant’s verification of the information contained in this Prospectus) and that, if given or made, such other information or representation should not be relied upon as having been authorised by the Company or any affiliate.



# SUMMARY OF KEY INFORMATION

4.1 CONTENTS OF THIS PROSPECTUS

4.2 EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following summary information is derived from and should be read in conjunction with, and is qualified in its entirety by, the full text of this Prospectus, including the Appendices. All Invitees and Applicants are advised to read this entire Prospectus carefully before making an investment decision about this Invitation. The attention of all Invitees and Applicants is specifically drawn to the Risk Factors in Section 14 of this Prospectus and the Forward-Looking Statements in Section 7.7 of this Prospectus.

Any questions arising out of this Prospectus or any explanations required, should be sought from a stockbroker, licensed investment advisor, attorney-at-law, accountant or other professional advisor.

<b>COMPANY:</b>	Future Energy Source Company Limited														
<b>SELLING SHAREHOLDERS:</b>	<table border="0"> <thead> <tr> <th></th> <th style="text-align: right;"><b>Shares</b></th> </tr> </thead> <tbody> <tr> <td>Trevor Barnes</td> <td style="text-align: right;">..... 40,000,000</td> </tr> <tr> <td>Hugh Coore</td> <td style="text-align: right;">..... 40,000,000</td> </tr> <tr> <td>Lyden D. "Trevor" Heaven</td> <td style="text-align: right;">..... 40,000,000</td> </tr> <tr> <td>Errol McGaw</td> <td style="text-align: right;">..... 40,000,000</td> </tr> <tr> <td>Junior Williams</td> <td style="text-align: right;">..... 20,000,000</td> </tr> <tr> <td>Neville Allen</td> <td style="text-align: right;">..... 20,000,000</td> </tr> </tbody> </table>		<b>Shares</b>	Trevor Barnes	..... 40,000,000	Hugh Coore	..... 40,000,000	Lyden D. "Trevor" Heaven	..... 40,000,000	Errol McGaw	..... 40,000,000	Junior Williams	..... 20,000,000	Neville Allen	..... 20,000,000
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Trevor Barnes	..... 40,000,000														
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Lyden D. "Trevor" Heaven	..... 40,000,000														
Errol McGaw	..... 40,000,000														
Junior Williams	..... 20,000,000														
Neville Allen	..... 20,000,000														
<b>SECURITIES TO BE ISSUED:</b>	<p>Up to 500,000,000 Shares (inclusive of 325,000,000 Reserved Shares)</p> <p><b>RESERVED SHARES DETAILS:</b> Up to 175,000,000 Broker Reserve Shares are initially reserved for priority Application by the Broker Reserve Pool;</p>														

	<p>Up to 125,000,000 Key Partner Reserve Shares are initially reserved for priority Application by the Key Partner Reserve Pool; and</p> <p>Up to 25,000,000 Employee Reserve Shares are initially reserved for priority Application by the Employee Reserve Pool.</p> <p>If any of the Reserved Shares are not purchased by the Reserved Share Applicants, they may become available for purchase by the Non-Reserved Share Applicants.</p>
<b>INVITATION:</b>	Means the invitation to subscribe for 300,000,000 Shares from the Company and the invitation to purchase up to 200,000,000 Shares from the Selling Shareholders, on the terms and conditions set out in this Prospectus.
<b>INVITATION PRICE:</b>	J\$0.80 per Share.
<b>MINIMUM SUBSCRIPTION:</b>	Applicants must request a minimum of 1,000 Shares. Applications above this amount must be made in increments of 1,000 Shares.
<b>APPLICATION METHOD:</b>	See Appendix 1 of this Prospectus



## 4. SUMMARY OF KEY INFORMATION

### PAYMENT METHOD:

All Applications must be submitted together with full payment for the Shares and/or proof of payment including the JCSD Processing Fee of J\$172.50, using one (1) of the following three (3) methods:

1. PAYMENT USING GOIPO FOR ALL APPLICANTS THAT ARE NCB ONLINE USERS (I.E. APPLICANTS WITH AN NCB BANK ACCOUNT WITH ONLINE BANKING ACCESS TO THEIR NCB ACCOUNT). NCB Online users may use the GoIPO portal to fund the purchase of Shares. Go directly to <https://goipo.jncb.com>, select the NCB account or NCB Capital Market Limited (“NCBCM”) broker account from which proceeds are to be taken to make payment for the Shares.
2. PAYMENT USING GOIPO FOR APPLICANTS THAT ARE NCB CAPITAL MARKETS LIMITED’S CLIENTS WITHOUT NCB ONLINE BANKING ACCESS. Authorization may be given from the Applicant electronically via <https://goipo.jncb.com>, instructing NCBCM to make payment from cleared funds held with NCBCM. The payment must be coming from the Applicant’s NCBCM broker account in which the Shares are expected to be held.

3. PAYMENT FOR ALL OTHER APPLICANTS. Transfer or direct deposit to NCBCM’s account stated below:

Beneficiary Bank:	National Commercial Bank Jamaica Limited
BIC:	JNCBJMKX
Branch:	1-7 Knutsford Blvd. /New Kingston
Beneficiary account #:	291024688
Beneficiary account name:	NCB Capital Markets FESCO – <i>(Primary Applicant’s Name)</i>

All Applicants using this option will be required to enter electronically via <https://goipo.jncb.com> the payment reference details for amounts transferred to NCBCM. Payment reference details shall include:

- Date of transfer of funds;
- Institution from which funds were sent;
- Amount transferred;
- Confirmation/Reference Number; and
- Sender’s account number (account from which funds were sent).



## APPLICATION PROCEDURES

The Company reserves the right to close the Application List at any time after it opens on the Opening Date if Applications have been received for the full amount of the Shares.

**EARLY APPLICATIONS MAY BE SUBMITTED.** Early Applications will be received but may not be processed until the Opening Date. All early Applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date. All other Applications will be received on a first come, first served basis.

**CONFIRMATION OF BASIS OF ORDINARY SHARE ALLOTMENTS.** A notice confirming the provisional basis of Allotment will be posted on the websites of the Jamaica Stock Exchange at <https://www.jamstockex.com> and the Company at [www.fescoja.com](http://www.fescoja.com), within six (6) days after the Closing Date.

**RETURNED APPLICATIONS/REFUND.** Refund payments will be made to the broker account or NCB bank account provided by Applicants on NCBCM's GoIPO platform within ten (10) days after the Closing Date.

**FINAL ALLOTMENT OF SHARES AND ADMISSION OF ORDINARY SHARES TO JUNIOR MARKET.** Within three (3) to four (4) weeks of the Closing Date, successful Applicants will receive notification from the Registrar confirming their final Allotments.

<b>ISSUE CAPITALIZATION:</b>	J\$400,000,000.00
<b>ESTIMATED NET PROCEEDS TO BE RECEIVED BY THE COMPANY:</b>	J\$386,610,472.00
<b>ESTIMATED EXPENSES OF THE INVITATION</b>	J\$13,389,528.00
<b>LEAD ARRANGER &amp; LEAD BROKER:</b>	NCBCM
<b>USE OF PROCEEDS:</b>	<p>The proceeds from the subscription of Shares from the Company will be used to support the growth of the existing businesses of the Company, allow the Company to pursue strategic investment opportunities and pay the expenses of the Invitation, the details of which are set out at Section 8.4 of this Prospectus.</p> <p>The proceeds from the Shares being sold by the Selling Shareholders will accrue to the benefit of the Selling Shareholders and not to the Company.</p>
<b>INTENTION TO LIST ON JSE:</b>	The Company intends to apply to the JSE for the listing on the Junior Market of all the Ordinary Shares and to make such application as soon as is conveniently possible following the Closing Date. This statement is not to be construed as a guarantee that the Ordinary Shares will be listed.

The making of the application by the Company, and its success, is dependent on the Company raising at least J\$400,000,000.00 and compliance with the criteria for admission set out in the JSE Rules. If, however, the Invitation does not raise a minimum of J\$400,000,000.00 within forty (40) days after the date of this Prospectus the application for listing will not be made and all payments for the Shares received from Applicants will be returned to the Applicants. Further, if the required minimum is raised but the Company does not meet the criteria for listing on the JSE, all payments for the Shares received from the Applicants will be returned to the Applicants.

**BASIS OF ALLOTMENT:**

The Shares will be allocated on a “first come first served basis.” If the Invitation is oversubscribed, the Allotment of the Shares will be on the following basis:

1. For the Broker Reserve Pool, from the 175,000,000 Broker Reserve Shares, 100,000,000 Shares will be allotted to NCBCM’s managed proprietary portfolios and the remaining 75,000,000 Shares will be allotted to NCB Insurance Agency and Fund Managers Limited.
2. For the Employee Reserve Pool, from the 25,000,000 Employee Reserve Shares, 50,000 Shares will be allotted to each Applicant in the Employee Reserve Pool and thereafter on a pro rata basis.

3. For the Key Partner Reserve Pool, from the 125,000,000 Key Partner Reserve Shares, 250,000 Shares will be allotted to each Applicant in the Key Partner Reserve Pool and thereafter on a pro rata basis.
4. For the Non-Reserved Share Applicants, the Shares will be allotted on a pro rata basis.

A notice confirming the provisional basis of Allotment will be posted on the website of the JSE at [www.jamstockex.com](http://www.jamstockex.com) within six (6) days after the Closing Date.

Multiple Applications by the same Applicant may be treated as a single Application for the purpose of allocation/Allotment. For this purpose, Applicants will be regarded as being the same where it is either the same individual or corporate Applicant or, in the case of joint Applicants, the joint holders identified are the same.

**NOTIFICATION OF ALLOTMENT:**

Within 4 weeks of the Closing Date successful Applicants will be notified by way of letters of Allotment emailed by the Registrar on behalf of the Company to the email address of the Applicant (or of the first-named joint Applicant) as stated in the Application via GoIPO, and sent at the risk of the Applicant. The Shares will be issued in electronic form.

**4.1 CONTENTS OF THIS PROSPECTUS**

This Prospectus contains important information for Invitees and Applicants. All Invitees and Applicants should read this Prospectus carefully in its entirety before submitting an Application.

This Prospectus also contains summaries of certain documents, which the Directors believe to be accurate with respect to certain terms of certain documents, but reference should be made to the actual documents (copies of which will be available to Invitees and Applicants for inspection as described in Section 17 of this Prospectus) for complete information with respect thereto, and all such summaries are qualified in their entirety by such complete information. Invitees and Applicants are not entitled to rely on parts of the information contained in this Prospectus to the exclusion of other parts of this Prospectus. Invitees and Applicants may wish to inspect the actual documents that are summarised, copies of which will be available for inspection as described in Section 17 of this Prospectus. Any summary of such documents appearing in this Prospectus are qualified in their entirety by reference to the complete document.

The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus. No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus, which is not contained in this Prospectus.

## 4.2 EXPECTED TIMETABLE OF PRINCIPAL EVENTS

PUBLICATION OF PROSPECTUS:	MARCH 24, 2021
INVITATION OPENS:	MARCH 31, 2021
INVITATION CLOSES:	APRIL 9, 2021
ANNOUNCEMENT OF BASIS OF ALLOTMENT:	Within 6 days after the Closing Date
ALLOTMENT OF ORDINARY SHARES:	Within 3 to 4 weeks after the Closing Date
REFUND RTGS TRANSFERS AND CHEQUES:	Within 10 days after the Closing Date
LISTING OF ORDINARY SHARES ON THE JSE SUBJECT TO THE APPLICATIONS FOR LISTING BEING ACCEPTED BY THE JSE:	Within 3 to 4 weeks after the Closing Date

The above timetable is indicative only and will be implemented on a best efforts' basis, with the Directors however reserving the right (in consultation with the Lead Arranger and Lead Broker) to change the dates that the Invitation opens and closes based on market conditions and other relevant factors. Notice of any changes in the above dates for the opening or closing of the Invitation will be given as soon as reasonably practicable via a press release and/or by posting a notice on the websites of the JSE at <https://www.jamstockex.com> and the Company at [www.fescoja.com](http://www.fescoja.com).





# LETTER TO PROSPECTIVE INVESTORS

Dear Invitee,

On behalf of the Board of Directors of Future Energy Source Company Limited (“FESCO”) and on behalf of the Selling Shareholders, we are delighted to invite you to participate in our initial public offer (“IPO”) and Offer for Sale of Ordinary Shares in the capital of FESCO.

FESCO was incorporated and registered with the Companies Office of Jamaica on February 4, 2013, as a private limited liability company and made its first fuel sale in November 2013. In 2014, the first FESCO branded Service Station was unveiled in Mandeville (Heaven’s FESCO) and we have since grown to fourteen (14) branded Service Stations islandwide. On December 8, 2020, we amended our registration with the Companies Office of Jamaica to become a public company in preparation for our IPO and the Offer for Sale.

FESCO is a Jamaican owned, fuel distribution company, licenced and operating in Jamaica. We have, to date, partnered with some dealer-owned dealer-operated Service Stations and company invested-dealer operated Service Stations to brand their stations as FESCO Service Stations.

There are currently fourteen (14) FESCO branded Service Stations islandwide (as at October 2020). They are located at Mandeville, Lacovia St. Elizabeth, Top Hill St Elizabeth, Naggo Head Portmore, Braeton Portmore, Rock Hall, Stony Hill, Angels Flat Bridge, Montego Bay, Whithorn Westmoreland, Duncans Trelawny, Orange Bay Hanover, Golden Grove St. Ann and Bodles Old Harbour. Further, we intend to open two (2) additional Service Stations, one at Ferry on Mandela Highway by April 2021 and the second at Beechwood Avenue, St. Andrew in June of 2021.

FESCO was established with three (3) initial goals:

- a) to provide the motoring public with a superior fuel retail experience where “value” and “convenience” mattered;
- b) to provide dealer-owned dealer operated Service Stations (“**DODO**”) with a superior (more efficient and more responsive) fuel distributor and marketer; and
- c) to provide above-average returns to its shareholders as measured by return on invested capital<sup>1</sup> (“**ROIC**”).

Our shareholders and Directors have been in the fuel industry since 1980. They have decades of experience as dealers, owners of Service Stations, haulage contractors, operators of a Liquefied Petroleum Gas (“**LPG**”) filling plant, and marketers. Their individual experiences as dealers for multinational brands, engineers, and business executives, led them to realise that they had within themselves both the capacity and drive to provide the motoring public and other dealers with a truly Jamaican product and service experience that could do more than just compete, but could thrive. They first believed, and then executed a successful business model that valued:

- a) the customer;

- b) the dealer; and
- c) Jamaica.

The focus of our business model remains, (the customer, the dealer and Jamaica), but our capital expenditure deployment has expanded and evolved to include company invested dealer operated (“**CIDO**”) Service Stations, which is a twist on the typical DODO arrangement, and in the very near future (June 2021) our first company-owned company-operated (“**COCO**”) station at Beechwood Avenue, St. Andrew will be opened.

In addition to supplying fuel to FESCO branded Service Stations (DODOs and CIDOs), we provide both fuel equipment solutions and affordable reliable fuel supply to the construction, distribution, manufacturing, and transportation sectors islandwide.

We also market our proprietary brands of lubricants (“**FUTROIL™**”), coolants and chemicals (“**FUTRLUBE™**”), and purified drinking water (“**FYC™**”) through our branded Service Stations and convenience stores.

## 2020 - 2022 & Beyond

FESCO will continue to expand, brand and market to Service Stations that operate within varied ownership and operational structures including:

- **Dealer Owned Dealer Operated (DODO)** - This means that the dealer owns the site as well as operates it. If the site is branded as a FESCO branded Service Station, it will have a supply contract with FESCO, but this is not a requirement. There are currently ten (10) FESCO branded DODOs;
- **Company Invested Dealer Operated (CIDO)** - This means that FESCO has invested in conjunction with a third party in the real property and/or

<sup>1</sup> FESCO's hurdle rate for invested capital is 15%; or, stated differently, FESCO aims to earn returns greater than 15% on its invested capital (before tax).

physical assets of the site and the dealer operates it as a FESCO branded Service Station. There are currently four (4) FESCO branded CDOs;

- **Company Owned Company Operated (COCO)** - This means that FESCO owns the site and operates it as a FESCO branded Service Station. FESCO currently has no branded COCOs but it intends to open its first COCO at Beechwood Avenue, St. Andrew by June 2021; and
- **Company Invested Company Operated (CICO)** - This means that FESCO has invested in conjunction with a third party in the real and/or physical assets of the site and FESCO operates it. FESCO currently has no branded CICOs.

We will also market the following products:

- Transportation Fuels – E10 87, E10 90, (and any other blend that may become available) Ultra Low Sulphur Diesel, Diesel, LNG (estimated 2021);
- Lubricants, Coolants and Chemicals;
- Beverages – including water;
- Cooking Gas (LPG) (estimated 2022/2023); and
- LNG for transportation.

The petroleum fuel market for transportation, is currently dominated by multinationals who currently serve approximately 72% of the market as measured by volume of fuel sold and numbers of Service Stations (62%)<sup>2</sup>. Further, the LPG fuel market (for cooking) is currently dominated by three brands that serve approximately 97% of the market<sup>3</sup>.

Our current market share for transportation fuel is approximately 4.65%<sup>4</sup> (April 2020- September 2020) and is expected to increase to 5.3% by May 2021 and 7.0% by December 2021.

We estimate that FESCO's market share reflects three (3) main facts:

- a) we are a relatively new company (operating for just over six (6) years) whose initial strategy has been to grow organically rather than through acquisitions;
- b) as at September 2020, we have very little presence in the Kingston and St. Andrew (**KSA**) fuel market. Our KSA offerings are limited to FESCO Stony Hill and FESCO Rock Hall, both of which are in the more rural parts of St. Andrew; and
- c) the dominance of the multinational brands in the industrial and commercial space where they provide fuels to private clients.

<sup>2</sup> All market share data are estimates computed and forecasted by the Company. They are based on market data January 2018 - September 2020 provided by the Ministry and the Company's own market analysis and estimates.

<sup>3</sup> All market share data are estimates computed and forecasted by the Company. They are based on market data January 2018 - September 2020 provided by the Ministry and the Company's own market analysis and estimates.

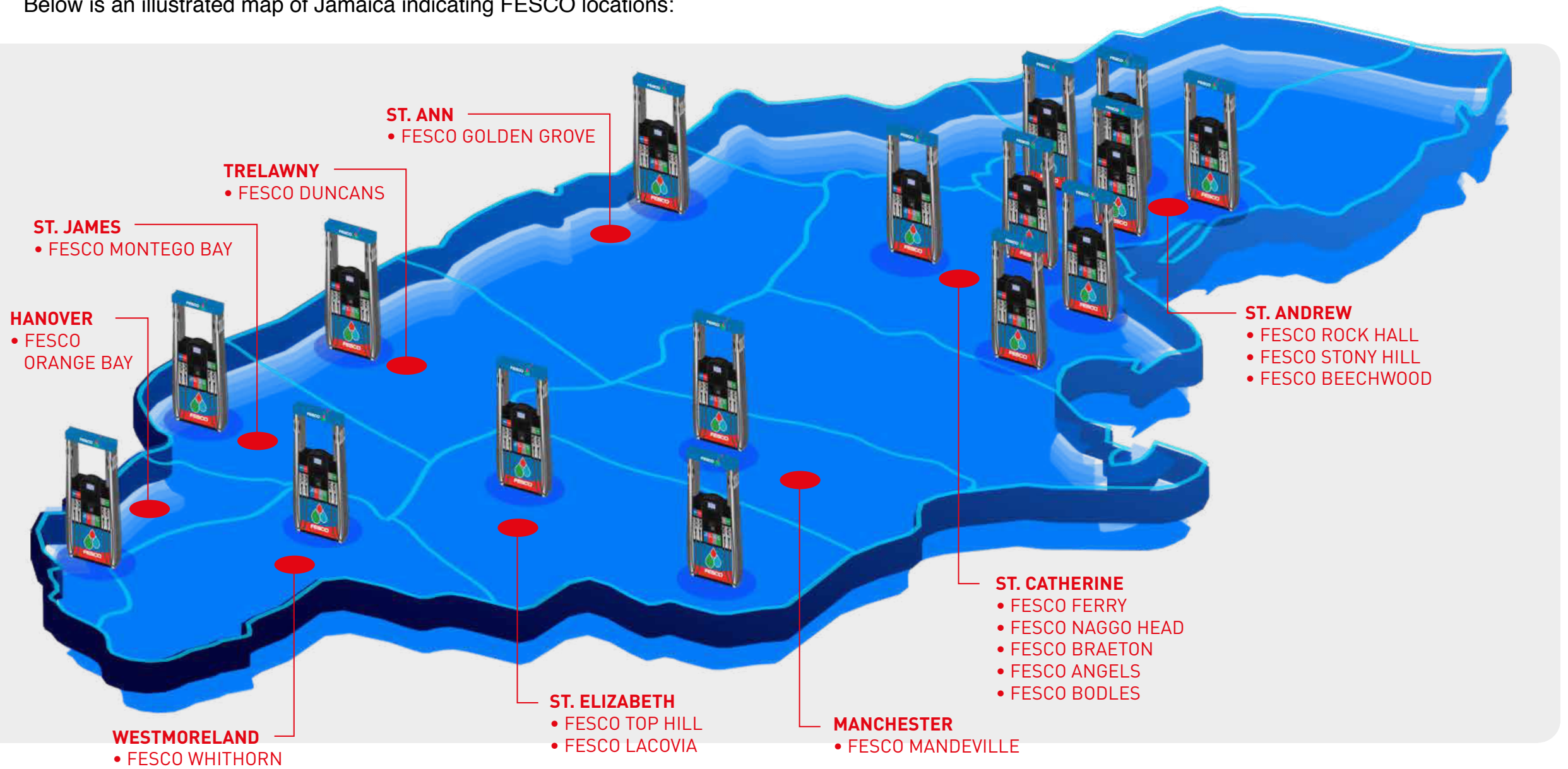
<sup>4</sup> Source: (MOE) The Ministry's April 2020 -September 2020 market data for Transportation Fuels (E10 87, E10 90, ADO and ULSD) and the Company's management reports

Below is a list of all the FESCO branded Service Stations and the details of their locations and ownership structure:

PARISH	CITY/TOWN	STATION	OWNERSHIP	DESIGNATION	STATUS
KINGSTON & ST. ANDREW	ROCK HALL	FESCO ROCK HALL	DEALER OWNED	RURAL	OPEN
KINGSTON & ST. ANDREW	STONY HILL	FESCO STONY HILL	DEALER OWNED	RURAL	OPEN
KINGSTON & ST. ANDREW	HALF WAY TREE	FESCO BEECHWOOD	COMPANY OWNED	URBAN	JUNE - 21
ST. CATHERINE	MANDELA HIGHWAY	FESCO FERRY	DEALER OWNED	COMMUTER	APRIL - 21
ST. CATHERINE	PORTMORE	FESCO NAGGO HEAD	DEALER OWNED	URBAN	OPEN
ST. CATHERINE	BRAETON, PORTMORE	FESCO BRAETON	DEALER OWNED	URBAN	OPEN
ST. CATHERINE	ANGELS SPANISH TOWN	FESCO ANGELS	DEALER OWNED	URBAN	OPEN
ST. CATHERINE	BODLES, OLD HARBOUR	FESCO BODLES	DEALER OWNED	RURAL	OPEN
MANCHESTER	MANDEVILLE	FESCO MANDEVILLE	DEALER OWNED	URBAN	OPEN
ST. ELIZABETH	JUNCTION, TOP HILL	FESCO TOP HILL	DEALER OWNED	RURAL	OPEN
ST. ELIZABETH	LACOVIA	FESCO LACOVIA	DEALER OWNED	COMMUTER	OPEN
WESTMORELAND	WHITHORN	FESCO WHITHORN	DEALER OWNED	RURAL	OPEN
HANOVER	ORANGE BAY/ NEGRIL	FESCO ORANGE BAY	DEALER OWNED	RURAL	OPEN
ST. JAMES	PORTOBELLO MONTEGO BAY	FESCO MONTEGO BAY	DEALER OWNED	URBAN	OPEN
TRELAWNY	DUNCANS	FESCO DUNCANS	DEALER OWNED	URBAN	OPEN
ST. ANN	GOLDEN GROVE	FESCO GOLDEN GROVE	DEALER OWNED	RURAL	OPEN



Below is an illustrated map of Jamaica indicating FESCO locations:





**“ We have navigated our way thus far, observing sanitisation and social distancing protocols of the Ministry of Health and Wellness, in order to maintain and implement plans to grow our business.”**

*- Jeremy Barnes*



Based on both the number of branded Service Stations and volume of petroleum sold, FESCO is estimated to be the third largest local fuel distributor/ marketer. Through the vast experience of our directors and shareholders, use of technology, lean structure and marketing initiatives, we have been able to differentiate our service offering relative to other distributors in the market.

These include:

- a) offering value-added services at many of our Service Stations including fast-food restaurants, money transfer and bill payment services, expanded convenience stores, supermarkets, and ATMs;
- b) marketing our own line of American Petroleum Institute certified lubricants (FUTROIL™), Coolants (FUTRLUBE™), and FESCO branded-(FYC™) purified drinking water;
- c) being the official fuel sponsor of the Red Stripe Premier League; and
- d) being the official fuel sponsor of the Jamaica Tallawahs (CPL cricket).

### **Use of Proceeds**

The proceeds from the Shares being sold by the Selling Shareholders will accrue to the benefit of the Selling Shareholders and not to the Company.

The Company intends to use the proceeds due to the Company from a successful Invitation for the following purposes:

- a) to enter the consumer cooking gas/LPG market within twenty-four (24) months of the listing of the Ordinary Shares on the Junior Market;
- b) to increase the Company's presence in the KSA area by the introduction of a new FESCO Service Station on Beechwood Avenue, which is slated to be opened in June 2021;
- c) to retail LNG for the transportation industry at the FESCO Ferry (Mandela Highway) Service Station by April 2021;
- d) to reduce the Company's debt. More specifically, to eliminate the Directors' loans to the Company;
- e) general corporate purposes, including working capital, operating expenses and capital expenditure; and
- f) payment of the following expenses of the Invitation, which, the Company estimates, will not exceed J\$13,389,528.00 inclusive of General Consumption Tax:
  - Fees payable to professional advisors;
  - Fees payable to the JSE and the JCSD;
  - Auditing, tax, legal & accounting fees;
  - Registrar fees; and
  - Marketing expenses

## COVID-19 Impact

The COVID -19 global pandemic (“**COVID-19**”) and the necessary response to contain the spread, has negatively impacted our local economy and our operations. Our Service Stations have had to reduce their overall opening hours, close entirely during lockdowns and our construction projects have been delayed and/or prolonged due to a combination of the curfews and lockdowns imposed by the Government of Jamaica as well as worker unavailability and supply chain delays which were also impacted by the curfews and lockdowns. Despite our growth prospects for 2020-2021 taking a hit due to the COVID-19 pandemic, we have still been able to increase our sales of fuel in litres year-over-year through dedication and effective work of our dealers and staff.

We have navigated our way thus far, observing sanitisation and social distancing protocols of the Ministry of Health and Wellness, in order to maintain and implement plans to grow our business. We have also equipped all head office staff with laptops, we sanitise our head office weekly, and have implemented practical and partial work from home protocols as preventative measures. We strongly believe that barring significant national lockdowns we will emerge out of this global COVID-19 as a stronger company.

We have the team, the technology, the products, and the brands and we now seek the capital to ensure that more of Jamaica’s fuel spend (and the profits generated from that spend) remains in Jamaica.

By participating in this IPO and investing in FESCO, you are, for the first time in Jamaica’s history, able to participate and profit as a shareholder in the fortunes of a fuel marketing company whose equity will be traded on the Jamaica Stock Exchange. Welcome to the FESCO Family!

Those investors who are interested in subscribing for Shares should read this Prospectus in its entirety and the full terms and conditions of the Invitation set out in Section 8.6, consult a licensed financial advisor and then complete an Application observing the process set out in Appendix 1 of this Prospectus.



Chief Executive Officer

# 6

## DEFINITIONS





## 6. DEFINITIONS

In this Prospectus, the following words and phrases shall, unless the context otherwise requires, be read and construed as having the following meanings:

“THE ACT”	MEANS THE COMPANIES ACT, 2004
“ ADO”	MEANS AUTOMOTIVE DIESEL OIL
“ ALLOTMENT”	MEANS THE ALLOTMENT OF SHARES TO SUCCESSFUL APPLICANTS BY THE COMPANY
“ APPLICANT”	MEANS A PERSON (BEING AN INDIVIDUAL OR A BODY CORPORATE) RESIDENT IN JAMAICA, WHETHER A NON- RESERVED SHARE APPLICANT OR A RESERVED SHARE APPLICANT WHO SUBMITS AN APPLICATION
“ APPLICATION”	MEANS AN APPLICATION TO PURCHASE SHARES IN THIS INVITATION MADE BY AN APPLICANT BY COMPLETING THE APPLICATION FORM ON THE GOIPO PORTAL AT <a href="http://GOIPO.JNCB.COM/">HTTP://GOIPO.JNCB.COM/</a> AND FOLLOWING THE STEPS SET OUT IN APPENDIX 1 OF THIS PROSPECTUS
“APPLICATION LIST”	MEANS THE APPLICATION LIST IN RESPECT OF THE INVITATION
“ARTICLES OF INCORPORATION”	MEANS THE ARTICLES OF INCORPORATION OF THE COMPANY, TOGETHER WITH ANY AMENDMENTS THERETO
“ AUDITOR”	MEANS BAKER TILLY STRACHAN LAFAYETTE, TRADING AS BAKERTILLY
“BOARD” OR “BOARD OF DIRECTORS”	MEANS THE BOARD OF DIRECTORS OF THE COMPANY, DETAILS OF WHICH ARE SET OUT IN SECTION 10 OF THIS PROSPECTUS

“BROKER RESERVE POOL”	MEANS NCB INSURANCE AGENCY AND FUND MANAGERS LIMITED AND NCBCM’S MANAGED PROPRIETARY PORTFOLIOS THAT ARE PERMITTED TO MAKE A PRIORITY APPLICATION FOR BROKER RESERVE SHARES
“BROKER RESERVE SHARES”	MEANS THE 175,000,000 SHARES IN THE INVITATION THAT ARE INITIALLY RESERVED FOR PRIORITY APPLICATION FROM THE BROKER RESERVE POOL AT A PRICE OF J\$0.80 ON THE TERMS AND CONDITIONS SET OUT IN SECTION 8.6 OF THIS PROSPECTUS
“BUSINESS DAY”	MEANS ANY DAY WHICH IS NOT A SATURDAY, A SUNDAY, OR A PUBLIC HOLIDAY IN JAMAICA
“CAGR”	MEANS COMPOUNDED ANNUAL GROWTH RATE
“CAPEX”	MEANS CAPITAL EXPENDITURE
“CICO”	MEANS A COMPANY INVESTED COMPANY OPERATED SERVICE STATION
“CIDO”	MEANS A COMPANY INVESTED LICENSED RETAILER DEALER-OPERATED SERVICE STATION THAT HAS ENTERED INTO A COMPANY INVESTED DEALER-OPERATED AGREEMENT WITH THE COMPANY
“CLOSING DATE”	MEANS THE DATE ON WHICH THE APPLICATION LIST CLOSES, BEING 4:00 P.M. ON THE 9TH DAY OF APRIL 2021, SUBJECT TO THE RIGHT OF THE DIRECTORS TO SHORTEN OR EXTEND THE PERIOD
“COCO”	MEANS A COMPANY OWNED AND COMPANY OPERATED SERVICE STATION

“COMPANY”	MEANS FUTURE ENERGY SOURCE COMPANY LIMITED, A COMPANY DULY INCORPORATED IN JAMAICA ON FEBRUARY 4, 2013 (COMPANY NO. - 101871) WITH ITS REGISTERED OFFICE AT 13 PARAISO AVENUE, KINGSTON 10 IN THE PARISH OF SAINT ANDREW
“DIRECTOR” OR “DIRECTORS”	MEANS A PERSON (OR PERSONS) WHO IS A MEMBER OF THE BOARD OF DIRECTORS, DETAILS OF WHICH ARE SET OUT IN SECTION 10 OF THIS PROSPECTUS
“DIVIDEND”	MEANS THE ANNUAL DIVIDEND OF THE ORDINARY STOCK UNITS OF NO-PAR VALUE IN THE CAPITAL OF THE COMPANY AS RECOMMENDED BY THE DIRECTORS AND DECLARED BY THE COMPANY IN A GENERAL MEETING
“DODO”	MEANS A DEALER-OWNED DEALER OPERATED SERVICE STATION AND BEING A LICENSED RETAILER THAT OPERATES AND OWNS ITS SERVICE STATION AND HAS ENTERED INTO A DEALER OWNED DEALER OPERATED AGREEMENT WITH THE COMPANY
“EMPLOYEE RESERVE POOL”	MEANS EMPLOYEES OF FESCO AND/OR EMPLOYEES OF DODOS AND CIDOS THAT ARE PERMITTED BY THE DIRECTORS IN THEIR SOLE DISCRETION TO MAKE A PRIORITY APPLICATION ON THEIR OWN BEHALF FOR EMPLOYEE RESERVE SHARES
“EMPLOYEE RESERVE SHARES”	MEANS THE 25,000,000 SHARES IN THE INVITATION THAT ARE INITIALLY RESERVED FOR PRIORITY APPLICATION FROM THE EMPLOYEE RESERVE POOL, AT A PRICE OF J\$0.80 ON THE TERMS AND CONDITIONS SET OUT IN SECTION 8.6 OF THIS PROSPECTUS
“FESCO”	MEANS THE COMPANY

“FINANCIAL INFORMATION”	MEANS THE PROFORMA FINANCIAL STATEMENTS FOR THE COMPANY FOUND IN SECTION 11.4 OF THIS PROSPECTUS
“FORWARD LOOKING STATEMENTS”	MEANS THE FORWARD-LOOKING STATEMENTS REFERRED TO IN SECTION 7.7 OF THIS PROSPECTUS
“FOUNDERS SHARES”	MEANS 309,999,998 ORDINARY SHARES HELD BY FESCO FOUNDERS POOL LIMITED
“FESCO FOUNDERS POOL LIMITED”	MEANS A LIMITED LIABILITY PRIVATE COMPANY DULY INCORPORATED IN JAMAICA WITH ITS SHAREHOLDERS AND DIRECTORS BEING TREVOR BARNES, HUGH COORE, LYDEN D. “TREVOR” HEAVEN, ERROL MCGRAW AND JUNIOR WILLIAMS
“FSC”	MEANS THE FINANCIAL SERVICES COMMISSION
“IFRS”	MEANS THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED AND APPLIED IN JAMAICA BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF JAMAICA
“INDEPENDENT DIRECTOR”	MEANS A DIRECTOR WHO IS NOT (OR HAS NOT BEEN, AS THE CASE MAY BE): <ul style="list-style-type: none"> <li>• AN EMPLOYEE OF THE COMPANY WITHIN THE LAST (5) FIVE YEARS;</li> <li>• A PERSON HOLDING 5% OR MORE OF THE ORDINARY SHARES OR A CONNECTED PERSON; OR</li> <li>• A PARTY TO A SIGNIFICANT ECONOMIC OR OTHER RELATIONSHIP WITH THE COMPANY WITHIN THE LAST FIVE (5) YEARS</li> </ul>
“INVITATION”	MEANS THE INVITATION TO SUBSCRIBE FOR 300, 000, 000 ORDINARY SHARES MADE BY THE COMPANY AND THE INVITATION TO PURCHASE UP TO 200,000,000 ORDINARY SHARES FROM THE SELLING SHAREHOLDERS, ON THE TERMS AND CONDITIONS SET OUT IN THIS PROSPECTUS

“INVITEE”	MEANS A PERSON OR ENTITY WHO HAS PROPERLY RECEIVED THIS PROSPECTUS FOR THE PURPOSE OF EVALUATING AN INVESTMENT IN THE INVITATION
“INVITATION PRICE”	MEANS J\$0.80 PER SHARE
“JCSD”	MEANS THE JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED, A COMPANY INCORPORATED IN JAMAICA (COMPANY NO. - 58658) WITH ITS REGISTERED AND PRINCIPAL OFFICE AT 40 HARBOUR STREET, KINGSTON, JAMAICA
“JCSD PROCESSING FEE”	MEANS THE FEES THAT THE JCSD CHARGES OF APPROXIMATELY J\$172.50 INCLUSIVE OF GCT, FOR PROCESSING EACH APPLICATION
“J\$”	MEANS THE LAWFUL CURRENCY OF JAMAICA
“JSE”	MEANS THE JAMAICA STOCK EXCHANGE
“JUNIOR MARKET”	MEANS THE JUNIOR MARKET OF THE JSE TO WHICH THE JUNIOR MARKET RULES APPLY
“KEY PARTNER RESERVE POOL”	MEANS CERTAIN KEY PARTNERS, CUSTOMERS, PROVIDERS OF SERVICES TO THE COMPANY THAT THE KEY PARTNER RESERVE SHARES HAVE BEEN RESERVED FOR
“KEY PARTNER RESERVE SHARES”	MEANS THE 125,000,000 SHARES IN THE INVITATION THAT ARE INITIALLY RESERVED FOR PRIORITY APPLICATION FROM THE KEY PARTNER POOL, AT A PRICE OF J\$0.80 ON THE TERMS AND CONDITIONS SET OUT IN SECTION 8.6 OF THIS PROSPECTUS

“KSA”	MEANS KINGSTON AND ST. ANDREW
“LEAD ARRANGER AND LEAD BROKER”	MEANS NCB CAPITAL MARKETS LIMITED, A COMPANY INCORPORATED UNDER THE LAWS OF JAMAICA WITH REGISTERED OFFICES AT 32 TRAFALGAR ROAD, KINGSTON 10, JAMAICA
“LICENSED RETAILER”	MEANS A PERSON LICENSED TO DEAL IN OR SELL PETROLEUM BY RETAIL PURSUANT TO THE PETROLEUM AND OIL FUEL (LANDING AND STORAGE) ACT
“LNG”	MEANS LIQUEFIED NATURAL GAS
“LPG”	MEANS LIQUEFIED PETROLEUM GAS
“MINISTRY”	MEANS THE MINISTRY OF SCIENCE, ENERGY AND TECHNOLOGY
“NCB”	MEANS NATIONAL COMMERCIAL BANK JAMAICA LIMITED, A COMPANY DULY INCORPORATED UNDER THE LAWS OF JAMAICA AND HAVING ITS REGISTERED OFFICE AT THE ATRIUM, 32 TRAFALGAR ROAD, KINGSTON 10, ST. ANDREW, JAMAICA
“NCBCM”	MEANS NCB CAPITAL MARKETS LIMITED, A COMPANY INCORPORATED UNDER THE LAWS OF JAMAICA WITH REGISTERED OFFICES AT 32 TRAFALGAR ROAD, KINGSTON 10, JAMAICA
“NON-RESERVED SHARE APPLICANTS”	MEANS APPLICANTS WHO ARE NOT RESERVED SHARE APPLICANTS
“OFFER FOR SALE”	MEANS THE SHARES BEING SOLD VIA THIS INVITATION BY THE SELLING SHAREHOLDERS

“OPENING DATE”	MEANS THE DATE ON WHICH THE APPLICATION LIST OPENS, BEING 9:00 A.M. ON THE 31ST DAY OF MARCH 2021
“OPEX”	MEANS OPERATIONAL EXPENDITURE
“ORDINARY SHARES”	MEANS THE ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AND INCLUDES AN ORDINARY STOCK UNIT AND VICE VERSA
“PROSPECTUS”	MEANS THIS DOCUMENT DATED THE 22ND DAY OF MARCH 2021, WHICH CONSTITUTES A PROSPECTUS FOR THE PURPOSES OF THE COMPANIES ACT, 2004 AND THE SECURITIES ACT
“REGISTRAR”	MEANS THE REGISTRAR WHOSE NAME IS SET OUT IN SECTION 15 OF THIS PROSPECTUS, OR SUCH OTHER PERSONS AS MAY BE APPOINTED BY THE COMPANY FROM TIME TO TIME TO PROVIDE THE SERVICES OF REGISTRAR FOR THE COMPANY IN RELATION TO THE INVITATION
“RESERVED SHARES”	MEANS THE 325,000,000 SHARES IN THE INVITATION THAT ARE RESERVED FOR PRIORITY APPLICATIONS FROM RESERVED SHARE APPLICANTS AT THE SUBSCRIPTION PRICE DIVIDED INTO: (A) THE BROKER RESERVE SHARES; (B) THE KEY PARTNER RESERVE SHARES; AND (C) EMPLOYEE RESERVE SHARES, ON THE TERMS SET OUT IN SECTION 8.6 OF THIS PROSPECTUS
“RESERVED SHARE APPLICANTS”	MEANS APPLICANTS WHO ARE ELIGIBLE FOR BROKER RESERVE SHARES, EMPLOYEE RESERVE SHARES, AND/OR KEY PARTNER RESERVE SHARES

“ROIC”	MEANS RETURN ON INVESTED CAPITAL
“RONIC”	MEANS RETURN ON NEWLY INVESTED CAPITAL
“SELLING SHAREHOLDERS”	MEANS NEVILLE ALLEN, TREVOR BARNES, HUGH COORE, LYDEN D. “TREVOR” HEAVEN, ERROL MCGAW AND JUNIOR WILLIAMS
“SERVICE STATION”	MEANS ANY PREMISES OR PLACE USED OR INTENDED TO BE USED FOR FUELLING MOTOR VEHICLES WITH PETROLEUM BY MEANS OF A PUMP AND INCLUDES ANY BUILDING, PETROLEUM STORAGE TANK OR PUMP IN, OR USED IN CONNECTION WITH, ANY SUCH PREMISES OR PLACES.
“SHARES”	MEANS THE ORDINARY SHARES WHICH ARE THE SUBJECT TO THE INVITATION, BEING THE: (A) THE 200,000,000 ORDINARY SHARES THAT THE SELLING SHAREHOLDERS HAVE OFFERED TO SELL; AND (B) THE 300,000,000 ORDINARY SHARES THAT THE COMPANY HAS INVITED SUBSCRIPTIONS FOR
“SHAREHOLDERS”	MEANS THE HOLDERS OF THE ORDINARY SHARES
“TERMS AND CONDITIONS”	MEANS THE TERMS AND CONDITIONS OF THE INVITATION SET OUT IN SECTION 8.6 OF THIS PROSPECTUS
“ULSD”	MEANS ULTRA-LOW SULPHUR DIESEL



# 7

## IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

### 7.1 CONTENTS OF PROSPECTUS

### 7.2 REVIEW OF PROSPECTUS

### 7.3 CHANGE IN BUSINESS

### 7.4 REPRESENTATIONS

### 7.5 ADVICE

### 7.6 DISTRIBUTION

### 7.7 FORWARD LOOKING STATEMENTS

### 7.1 CONTENTS OF PROSPECTUS

This Prospectus has been reviewed and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief:

- a) the information given herein is true and accurate in all material respects and is not misleading in any material respect;
- b) any opinions, predictions, or intentions expressed herein on the part of the Company are honestly held or made and are not deliberately misleading in any material respect;
- c) that insofar as reasonably possible, all proper inquiries have been made to ascertain and to verify the foregoing; and
- d) this Prospectus does not contain any untrue statement of a material fact or fail to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they are made, not misleading.

This Prospectus also contains summaries which the Directors believe are accurate with respect to certain terms of certain documents, but reference should be made to the actual documents (copies of which will be available for inspection as described in Section 17 of this Prospectus) for complete information with respect thereto, and all such summaries are qualified in their entirety by such complete information. Invitees should not rely on parts of the information contained in this Prospectus to the exclusion of other parts of this Prospectus.

## 7.2 REVIEW OF PROSPECTUS

In making an investment decision, Applicants are expected to make their own assessment of the Company and the terms of the Invitation herein, including the merits and risks involved. Each Invitee and Applicant acknowledges and agrees that:

- a) they have been afforded a meaningful opportunity to review, and have received, all additional information considered by such Applicant to be necessary to verify the accuracy of the information contained in this Prospectus;
- b) they have not relied on the Company, the Selling Shareholders or the legal or other professional advisors to the Company in connection with their investigation of the accuracy of such information or their investment decision; and
- c) no person has been authorized to give information or to make any representation concerning the Company, the Invitation or the Shares issued pursuant thereto or to provide information or to make any representation whatsoever in connection with this Prospectus other than as contained in this Prospectus, and information given by duly authorized officers and employees of the Company in connection with the Invitees'/Applicants' verification of the information contained in this Prospectus and that, if given or made, such other information or representation should not be relied upon as having been authorized by the Company or any of its affiliated companies.

## 7.3 CHANGE IN BUSINESS

Neither the delivery of this Prospectus nor the offering, sale, or Allotment of any Shares hereunder shall under any circumstances imply that there has been no change in the business, results of operations, financial condition, or prospects of the Company since the date of this Prospectus.

## 7.4 REPRESENTATIONS

Neither the JSE, FSC nor any governmental agency or regulatory authority in Jamaica or elsewhere has made any determination on the accuracy or adequacy of the matters contained in this Prospectus.

No representation or warranty, expressed or implied, is made by any affiliated company of the Company or by the legal or professional advisors to the Company as to the accuracy or completeness of the information set forth herein including, without limitation, information with respect to the Company and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

## 7.5 ADVICE

Each Invitee and Applicant should consult with his/her own advisors as to the legal, tax, business, financial and related aspects of subscribing for Shares. Neither the Selling Shareholders nor the Company, nor any of its respective representatives, is making any representation to any Invitee or Applicant regarding legal, tax, business, financial or related aspects concerning the subscription or purchase of Shares notwithstanding the inclusion in this Prospectus of such information in respect thereof as the Selling Shareholders or the Company believe to be accurate, and Invitees and Applicants should not consider this Prospectus as a recommendation by the Selling Shareholders or the Company that they should purchase or subscribe for any Shares. In making an investment decision, each prospective Invitee and Applicant must make their own assessment of the Company and the terms of the Invitation herein, including the merits and risks involved.

## 7.6 DISTRIBUTION

This Prospectus is intended for use in Jamaica only and is not to be construed as making an offer to persons outside of Jamaica to subscribe for or purchase any of the Shares. The distribution or publication of this Prospectus and the offering of the Shares outside of Jamaica is prohibited by law. No action has been taken to register or qualify the Shares for sale outside Jamaica. The Company requires that anyone who receives this Prospectus inform himself/herself about and observe such restrictions.

## 7.7 FORWARD LOOKING STATEMENTS

Except for the historical financial information concerning the Company contained in this Prospectus, certain matters discussed in this Prospectus contain forward- looking statements including, but not limited to, statements of expectations, future plans or future prospects, and pro forma financial information and/or financial projections. Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made. These statements are made based on assumptions or predictions of the future which may not necessarily come true.

Although the Directors believe that in making any such statements their expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Invitees and Applicants are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words “*anticipates*”, “*believes*”, “*expects*”, “*intends*” and similar expressions as they relate to the Company, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. When used in this Prospectus, such words and similar expressions, as they relate to the Company, its businesses or actual or intended business relationships, are

intended to identify those forward- looking statements. By their very nature, forward-looking statements require the maker to make assumptions and are subject to numerous inherent risks and uncertainties which give rise to the possibility that such predictions, forecasts, projections, expectations or conclusions as contained in such statements will not prove to be accurate, that the assumptions relied on may not be correct and that these forward-looking statements will not be achieved.

In this Prospectus, we rely on and refer to information and statistics regarding market data of companies we have or propose to have a business relationship with, including in certain cases through investment in such companies. We have obtained this information and industry data from market research, publicly available information and the referenced companies. Such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed. Although we believe this information is reliable, neither the Company nor any of the Directors have independently verified or can guarantee the accuracy or completeness of that information and Invitees or Applicants should use appropriate caution in placing reliance on such information. Invitees and Applicants are urged to consult with professional advisors, financial, legal or otherwise, to seek advice as to such information and any implications in consideration of their own particular circumstances.

Once this Prospectus has been signed by or on behalf of the Company, and prior to the admission of the Company to the Junior Market, neither the Company, the Selling Shareholders nor the Directors undertake any obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in the Company’s financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made).

All aspects of the Company’s businesses are subject to important uncertainties, risks and other influential factors, some of which are beyond the control of the

Company, and which could cause actual results to differ materially from those in forward-looking statements. These factors include, without limitation, the following:

- economic, social, and other conditions prevailing both within and outside of Jamaica, including actual rates of growth of the Jamaican and regional economies, instability, high domestic interest rates or exchange rate volatility;
- adverse climatic events and natural disasters and existing and adverse public health events, including future pandemics;
- inability of Licensed Retailers to obtain licenses to deal in or sell petroleum by retail pursuant to the Petroleum and Oil Fuel (Landing and Storage) Act;
- nonrenewal and/or termination of DODO Service Station contracts and CIDO Service Stations contracts;
- unavailability of regulatory approval to launch new products or unfavourable market receptiveness to those new products;
- unfavourable market receptiveness to new products and services;
- changes in any applicable legislation or policy that adversely affects the revenues or expenses of the Company;
- any other factor(s) negatively impacting on the realisation of the assumptions on which the Company's projected financial information is based;
- other factors identified in this Prospectus; and

- factors outside of the control of the Company or not yet known to the Company.

Invitees and Applicants are cautioned that the foregoing list should not be construed as exhaustive. Invitees and Applicants should carefully consider the foregoing factors and other factors set forth in Section 14 titled “**Risk Factors**” before making an investment decision.

Other factors not set out above could also adversely affect the results of the Company. When relying on these forward-looking statements to make decisions with respect to the Company and this Invitation, Invitees and Applicants and others should carefully consider the foregoing factors and other uncertainties and potential events.



# 8

## THE INVITATION

### 8.1 GENERAL INFORMATION

### 8.2 INTENTION TO LIST

### 8.3 MINIMUM FUNDRAISING

### 8.4 USE OF PROCEEDS ARISING FROM THE PURCHASE & SUBSCRIPTION OF SHARES

### 8.5 KEY DATES

### 8.6 TERMS & CONDITIONS FOR APPLICANTS

### 8.1 GENERAL INFORMATION

Invitees and Applicants should read this entire Prospectus carefully before submitting an Application. Specific attention is drawn to the Risk Factors in Section 14 of this Prospectus and the Forward-Looking Statements in Section 7.7 of this Prospectus.

The Selling Shareholders invites Applicants to purchase up to 200,000,000 of their Shares in this Invitation and the Company invites Applicants to subscribe for up to 300,000,000 Shares in this Invitation.

A total of 325,000,000 Shares are Reserved Shares for priority Application from, and subscription by, the following Reserved Share Applicants:

- a) up to 175,000,000 Shares for the Broker Reserve Pool Share at a price of J\$0.80 per Ordinary Share;
- b) up to 125,000,000 Shares for the Key Partner Reserve Pool at a price of J\$0.80 per Ordinary Share; and
- c) up to 25,000,000 Shares for the Employee Reserve Pool at a price of J\$0.80 per Ordinary Share.

The Directors have reserved the Broker Reserve Shares for the Broker Reserve Pool, on the basis that, under NCBCM's Junior Market Initiative, NCBCM has offered its Lead Arranger and Lead Brokerage service and the GoIPO platform free of cost to the Company with the understanding that NCBCM will purchase the Broker Reserve Shares as compensation for its services.

The balance of 175,000,000 Shares are reserved for application by Non-Reserved Share Applicants at the price of J\$0.80 per Ordinary Share. If any of the Reserved Shares are not subscribed for by the persons entitled to them, they will become available for subscription by the Non-Reserved Share Applicants at the price of J\$0.80 per Share. Reserved Share Applicants may also apply in the Invitation for Shares at the price of J\$0.80.

The Application List will open at 9:00 a.m. on the Opening Date, and will close at 4:00 p.m. on the Closing Date. However, the Company reserves the right to close the Application List at any time after the Opening Date if Applications have been received for the full amount of the Shares offered and the Company also reserves the right to extend the period during which the Invitation will remain open for any reason, provided that such period does not extend beyond the expiration of 40 days after the publication of this Prospectus for the purposes of section 48 of the Act.

## 8.2 INTENTION TO LIST

Within 3 to 4 weeks after the Closing Date, the Company intends to apply to list all the Ordinary Shares on the Junior Market. The application to the JSE is dependent on (i) the Invitation raising at least J\$400,000,000.00; and (ii) all the criteria for admission being met. Please note that this is not a guarantee that the Ordinary Shares will in fact be admitted to the Junior Market. If, however, the Company does not raise at least J\$400,000,000.00 within forty (40) days after the date of this Prospectus it will not make an application for the Ordinary Shares to be admitted to the Junior Market, and all payments for Shares received from the Applicants will be refunded in full to the Applicants in accordance with the terms herein. Further, if the Company raises at least J\$400,000,000.00 but does not meet the criteria for admission set out in the Junior Market Rules made by the JSE, all payments for Shares received from Applicants will be refunded in full in accordance with the terms herein.

## 8.3 MINIMUM FUNDRAISING

For the purposes of the requirement for disclosure set out in section 48 of the Act, the minimum amount which, in the opinion of the Directors, must be received by the Company as a result of the Invitation in order to provide for the matters set out in paragraph 2 of the Third Schedule to the Act is J\$400,000,000.00.

## 8.4 USE OF PROCEEDS ARISING FROM THE PURCHASE AND SUBSCRIPTION OF SHARES

The proceeds of sale of the Shares by the Selling Shareholders will accrue to the benefit of the Selling Shareholders and not to the Company.

The Company intends to use the proceeds due to the Company from a successful Invitation for the following purposes:

- a) to enter the consumer cooking gas/LPG market within twenty-four (24) months of the listing of the Ordinary Shares on the Junior Market;
- b) to increase the presence of FESCO in the KSA area by the introduction of a new Service Station on Beechwood Avenue, which is slated to be opened in June 2021;
- c) to retail LNG for the transportation industry at the FESCO Ferry (Mandela Highway) Service Station by April 2021;
- d) to reduce the Company's debt. More specifically, to eliminate the Directors' loans to the Company;
- e) general corporate purposes, including working capital, operating expenses and capital expenditure; and
- f) payment of the following expenses of the Invitation, which, the Company estimates, will not exceed J\$13,389,528.00 inclusive of General Consumption Tax:
  - Fees payable to professional advisors;
  - Fees payable to the JSE and the JCSD;
  - Auditing, Tax, Legal & Accounting Fees;
  - Registrar Fees; and
  - Marketing Expenses.

The Company estimates that the net proceeds of the Invitation will be approximately J\$386,610,472.00, after deducting the above expenses incurred

in connection with the Invitation in the aggregate sum of approximately J\$13,389,528.00.

## 8.5 KEY DATES

The Application List will open at 9:00 a.m. on the Opening Date and will close at 4:00 p.m. on the Closing Date subject to the right of the Company in consultation with the Lead Arranger and Lead Broker to:

- a) close the Invitation at any time after it opens on the Opening Date if Applications have been received for the full amount of the Shares;
- b) suspend the acceptance of Applications at any time after the opening of the Application List for such period as the Company shall determine;
- c) withdraw the Invitation at any time after the opening of the Application List and close such Application List without accepting any Applications, in which event, any amounts paid by the Applicants for the Shares shall be refunded in full to the Applicants in accordance with the terms herein; or
- d) extend the closing of the Invitation beyond the Closing Date, provided that such period does not extend beyond the expiration of forty (40) days after the publication of this Prospectus for the purposes of section 48 of the Act.

In each case, the Company will arrange for a notice to be posted on the website of the JSE at [www.jamstockex.com](http://www.jamstockex.com) and/or the Company at [www.fescoja.com](http://www.fescoja.com). It is the intention of the Company, once it has raised at least J\$400,000,000.00, to apply to the JSE for admission of the Ordinary Shares to the Junior Market. The application is dependent on the Company's ability to:

- a) raise at least J\$400,000,000.00 from the Invitation, and

- b) meet the criteria for admission set out in the Junior Market Rules made by the JSE.

If such application is made and it is successful, the Company expects the Ordinary Shares to be admitted to trading on the Junior Market within three (3) to four (4) weeks of the Closing Date (or the shortened or extended Closing Date, as the case may be) and for dealings to commence on that date.

In the event that the Ordinary Shares are not admitted to trading on the Junior Market, all payments for Shares received by the Company will be returned or refunded to the Applicants in accordance with the terms herein.

## 8.6 TERMS & CONDITIONS FOR APPLICANTS

- a) The Company is the agent of the Selling Shareholder in the Invitation for the purposes of acceptance of Applications to purchase the 200,000,000 Shares that the Selling Shareholders have offered to sell.
- b) All Applicants (whether Reserved Share Applicants or Non-Reserved Share Applicants) must apply electronically via <https://goipo.jncb.com>. Reserved Share Applicants will apply by indicating the relevant reserve pool. Each duly completed Application must be accompanied by payment, or evidence thereof, for the full amount payable plus the JCSD Processing Fee in accordance with the payment options described at Section 8.6(f) below, on or before 4:00 p.m. on the Closing Date.
- c) All Applicants will be deemed to have accepted the terms and conditions of the Invitation and any other terms and conditions set out in this Prospectus, including any terms and conditions set out on <https://goipo.jncb.com>.

d) Each Applicant acknowledges and agrees that:

- (i) they have been afforded a meaningful opportunity to review this Prospectus (including the Terms and Conditions in this Section 8.6), and to gather and review all additional information considered by such Applicant to be necessary to verify the accuracy of the information contained in this Prospectus;
  - (ii) they have not relied on any person other than the Company and the Directors, each of whom has individual and collective responsibility for the contents of this Prospectus, in connection with such Applicant's investigation of the accuracy of such information or such Applicant's investment decision;
  - (iii) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained herein, on which the Applicant has relied in submitting his/her Application; and
  - (iv) they have made their own assessment of the Company, and the merits and risks of subscribing for Shares, inclusive of taking advice (or waiving the need for such advice) in relation to the financial and legal implications of subscribing for Shares and the tax implications thereof.
- e) Applications from all Applicants must request a minimum of 1,000 Shares and further amounts in increments of 1,000. Applications in other denominations will not be processed or accepted.
- f) A JCSD Processing Fee of J\$172.50 per Application payable to the Registrar applies and is payable by each Applicant. All Applications must be accompanied by the appropriate payment in the form of either:

### **PAYMENT USING GOIPO FOR ALL APPLICANTS THAT ARE NCB ONLINE USERS (I.E. APPLICANTS WITH AN NCB BANK ACCOUNT WITH ONLINE ACCESS TO THEIR NCB ACCOUNT)**

- NCB Online users may use the GoIPO portal to fund the purchase of Shares. Go directly to <https://goipo.jncb.com>, select the NCB account or NCBCM broker account from which proceeds are to be taken to make payment for the Shares.

### **PAYMENT USING GOIPO FOR NCBCM'S CLIENTS WITHOUT NCB ONLINE BANKING ACCESS**

- Authorization can be given by the applicant electronically via <https://goipo.jncb.com>, instructing NCBCM to make a payment from cleared funds held with NCBCM. The payment must be coming from the Applicant's NCBCM broker account in which the shares are expected to be held.

### **PAYMENT FOR ALL OTHER APPLICANTS**

- Transfer or direct deposit to NCBCM account stated below:

<b>BENEFICIARY BANK:</b>	NATIONAL COMMERCIAL BANK JAMAICA LIMITED
<b>BIC:</b>	JNCBJMKX
<b>BRANCH:</b>	1-7 KNUTSFORD BLVD. /NEW KINGSTON
<b>BENEFICIARY ACCOUNT #:</b>	291024688
<b>BENEFICIARY ACCOUNT NAME:</b>	NCB CAPITAL MARKETS LIMITED
<b>INCLUDE COMMENTS:</b>	FESCO - (PRIMARY APPLICANT'S NAME)



Applicants using this option will be required to enter electronically via <https://goipo.jncb.com> the payment reference details for amounts transferred to NCB Capital Markets Limited. Payment reference details include:

- Date of transfer of funds;
- The institution from which funds were sent;
- Amount transferred;
- Confirmation/Reference Number; and
- Sender's account number (account from which funds were sent).

Applications must be completed in accordance with instructions set out in Appendix 1 of this Prospectus.

- g) The Board in their sole discretion may accept or reject any Application in whole or in part without giving reasons even if the Application is received, validated and processed, and neither the Company nor its Directors or agents shall be required to provide reasons for decisions or be liable to any Applicant or any other person for doing so.
- h) Neither the submission of an Application by an Applicant nor its receipt by the Company will result in a binding contract between the Applicant and the Company. Only the Allotment of Shares by the Registrar on behalf of the Company to an Applicant (whether such Shares represent all or part of those specified by the Applicant in his/her Application) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the number of allotted Shares, subject to the Articles of Incorporation and the terms and conditions set out in this Section 8.6 and the Prospectus generally.
- i) If the Ordinary Shares are admitted to trade on the Junior Market, Applicants will be allotted Shares for credit to their JCSD account specified in their Applications. Please note that the Company does not guarantee admission of the Ordinary Shares to the Junior Market. In the event that the Ordinary Shares are not admitted to trading on the Junior Market, all payments for Shares received by the Company will be returned or refunded to the Applicants in accordance with the terms herein.
- j) The Company will make refunds to Applicants whose Applications are not accepted, or whose Applications are only accepted in part, or because the Invitation is withdrawn or because the Ordinary Shares are not admitted to trade on the Junior Market, within 10 days after the Closing Date (or the shortened or extended Closing Date, as the case may be). Each Applicant's refund will be processed to their brokerage account or NCB Bank account as outlined in their submission in GoIPO.
- k) Applicants must be at least 18 years old.
- l) The Company may treat multiple Applications by any person (whether in individual or joint names) as a single Application.

# 9

## INFORMATION ABOUT THE COMPANY & INDUSTRY



- 9.1 INFORMATION ABOUT THE PETROLEUM INDUSTRY
- 9.2 INFORMATION ABOUT THE COMPANY
- 9.3 ORGANIC GROWTH
- 9.4 INDUSTRIAL FUELS & /OR PRIVATE SUPPLY
- 9.5 CONSUMER COOKING GAS/ LPG
- 9.6 LNG FOR TRANSPORTATION
- 9.7 OTHER PRODUCTS & SERVICES
- 9.8 TIMELINE
- 9.9 LOCATIONS
- 9.10 TAX COMPLIANCE
- 9.11 CONCESSIONARY REGIME FOR TAXATION OF JUNIOR MARKET COMPANIES
- 9.12 CORPORATE DETAILS
- 9.13 CAPITAL STRUCTURE
- 9.14 SHAREHOLDINGS IN THE COMPANY BEFORE AND AFTER THE INVITATION
- 9.15 REAL PROPERTY
- 9.16 INTELLECTUAL PROPERTY
- 9.17 MATERIAL CONTRACTS
- 9.18 RELATED PARTY TRANSACTIONS
- 9.19 FIRE AT FESCO MANDEVILLE HEAVEN'S SERVICE CENTRE ON FEBRUARY 21, 2020
- 9.20 INDUSTRY OVERVIEW & COMPETITION
- 9.21 FESCO FOUNDERS POOL LIMITED

## 9.1 INFORMATION ABOUT THE PETROLEUM INDUSTRY

The term “petroleum” is defined in the Petroleum and Oil Fuel (Landing and Storage) Act as, inter alia, “*all natural mineral oils, naphtha, petrol, gasoline, and all hydro-carbons whether natural or manufactured, which give off inflammable vapour at a temperature at or lower than one hundred and fifty degrees by Fahrenheit’s thermometer, when tested...*”. The Petroleum sector is traditionally divided into three (3) main market segments, being the upstream, midstream, and downstream. The upstream comprises the exploration and production of hydrocarbons from underground or underwater sources. The midstream refers to the refining, storage, wholesale marketing, and transportation of petroleum, while the downstream market is where the marketing, distribution, and retailing of petroleum products occur.

The petroleum sector is vital to the Jamaican economy since the country is heavily dependent on it to fulfil its energy requirements. The National Energy Policy 2009-2030 states<sup>5</sup> that, “*The Jamaican economy is characterized by high energy intensity and low efficiency and is almost completely dependent on imported oil.*” The petroleum sector in Jamaica is based on a market-driven framework, which fosters competition.

Goal 4 of Jamaica’s National Energy Policy 2009-2030 concerns the concept of “energy security” which includes the concept of diversified energy sources, including the use of natural gas as a key source. Liquefied natural gas has been introduced at the utility level and may also be used for transportation.

The National Energy Policy 2009-2030 also calls for a petroleum sector that is driven by private sector investment within a policy and regulatory framework that fosters investment, competition, efficiency, a level playing field, and transparency<sup>6</sup>.

The current petroleum industry in Jamaica comprises the following main players:

- a) The Importer: The entity or entities that import crude oil, LNG, or finished petroleum products into Jamaica;
- b) The Storage Operator: The entity or entities that operate large tanks in which petroleum is stored in various forms;
- c) The Refinery: Jamaica’s only refinery is operated by Petrojam Limited, which is a 35,000 barrel/day hydro-skimming facility that creates different petroleum products from imported crude oil;
- d) The Petroleum Blender: The entity that mixes different petroleum products with other chemicals to make finished petroleum products;
- e) The Bulk Distributor/Marketing Company: The entity that provides petroleum products to bulk users in the market or retailers;
- f) The Petroleum Haulage Contractor: The entity that operates tanker trucks or tanker wagons to transport petroleum products by land;
- g) The Tanker Driver: The drivers of the tanker wagons or tanker trucks; and
- h) The Retailers: The operators of Service Stations that sell petroleum products to the general public.

All of the foregoing, listed activities require licenses issued by the Ministry. Those licenses require periodic renewals and applications in that connection before an entity can lawfully engage in the processing and handling of petroleum products in Jamaica.

<sup>5</sup> Page xiii of the National Energy Policy 2009-2030

<sup>6</sup> Page 53 of the National Energy Policy 2009-2030

As part of the downstream activities, the two main transportation fuels (gasoline and diesel) are sold through a network of approximately 315<sup>7</sup> retail outlets. These retail outlets are supplied by haulage contractors, which are often independent contractors, from loading racks.

The downstream petroleum sector in Jamaica is governed chiefly by the following pieces of legislation:

- a) The Petroleum (Quality Control) Act, 1990;
- b) The Petroleum (Quality Control) Regulations, 1990;
- c) The Petroleum and Oil Fuel (Landing and Storage) Act, 1925; and
- d) The Petroleum and Oil Fuel (Landing and Storage) Regulations, 1941.

The above legislative instruments form the overarching framework within which enterprises within the sector operate.

In July 30, 2020, there was an article in the print media<sup>8</sup>, which stated that the ministry with responsibility for energy was in the process of revising the existing petroleum legislative framework in Jamaica. This will be elaborated on in Section 14.3 of this Prospectus (*Industry-Related Risks*).

## 9.2 INFORMATION ABOUT THE COMPANY

The Company is a limited liability company that has been granted a Petroleum Bulk Distributor and Importer Licence dated December 2, 2019, from the Minister of Science, Energy, and Technology which is valid until December 1, 2024. This licence was granted pursuant to regulation 13 of the Petroleum (Quality Control) Regulations and permits the Company to operate as a petroleum bulk distributor and importer in respect of liquefied petroleum gas with effect from December 2, 2019, at 13 Paraiso Avenue, Kingston 10.

The Company has been able to compete with the leading local fuel marketing companies operating in Jamaica despite not having a significant presence in the KSA market in a short space of time.

<sup>7</sup> Based on estimates provided by the JGRA, and by FESCO's own estimates

<sup>8</sup> Source: The Gleaner article dated July 30, 2020

## MARKET SHARE TRANSPORTATION FUELS<sup>9</sup>

Islandwide, local transportation fuel distributors/marketers combined supply less than 27.7% of the market by volume of fuel sold and less than 38.1% of the market by number of Service Stations. Multinational distributors/marketers, by contrast, supply approximately 72.3% of the market by volume and they dominate the largest market segment i.e. the KSA transportation fuel market where they supply approximately 61.9% of the market segment including the supply of fuel to private clients in the industrial and commercial space. FESCO believes that this dominance is significantly attributed to the number of Service Stations that the multinational distributors/marketers operate relative to local distributors/marketers. As previously mentioned, FESCO intends to become a more significant player in the KSA market via its FESCO Ferry and FESCO Beechwood stations to be opened in April 2021 and June 2021, respectively. Both Service Stations will feature a “starter gate” design which maximizes throughput efficiency and minimises “wait time” per customer and will be able to simultaneously serve 16 and 12 customers, respectively.

Since its entry on the market in 2014, FESCO has increased its volume and local footprint annually. FESCO's current market share of transportation fuels as at September 2020 is 4.65% up from 3.8% in 2019 and 3.5% in 2018 and it estimates that its market share will increase to 5.3% by May 2021 and 7.0% by December 2021<sup>10</sup>. This is also within the context that the Ferry (Mandela Highway) and Beechwood Service Stations will become fully operational in 2021. These Service Stations will benefit from significant traffic volumes due to their locations where their capacity and amenities will offer an attractive range of services to retail private and commercial vehicles that traverse the busy corridors of Half-Way Tree as well as the Mandela Highway. As such, it is generally expected that the opening of these two (2) Service Stations will have a significant positive impact on the total fuel distributed by FESCO.

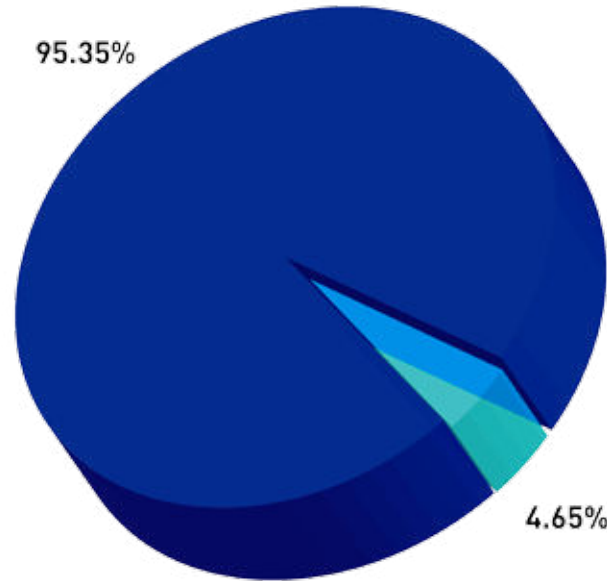
<sup>9</sup> All market share data are estimates computed and forecasted by the Company. They are based on market data January 2018 - September 2020 provided by the Ministry and the Company's own market analysis and estimates.

<sup>10</sup> Source: The Ministry's Market Data for transportation Fuels (E10 87, E10 90, ADO and ULSD) 2018-2020 and FESCO's product distribution of data for 2018-2020.



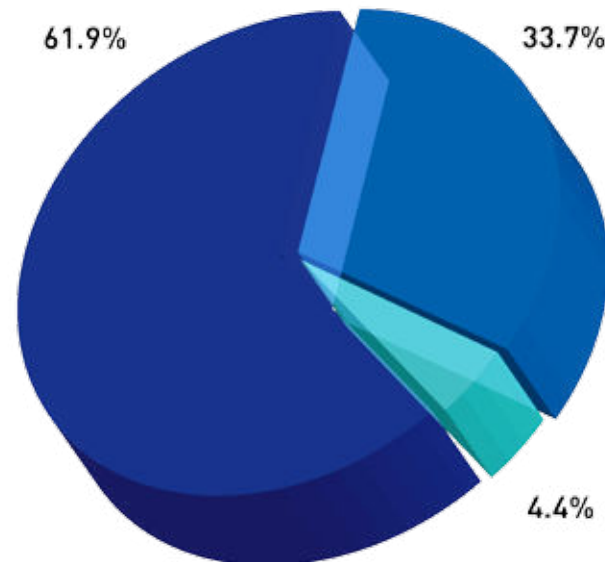
## MARKET SHARE FOR TRANSPORT FUELS (APRIL - SEPTEMBER 2020)

- FESCO
- OTHERS



## NUMBER OF SERVICE STATIONS IN JAMAICA AS AT SEPTEMBER 2020

- MULTINATIONALS
- FESCO
- LOCALS



FESCO is a distributor/marketer of:

- Transportation fuels (E10 87, E10 90, ADO, and ULSD);
- Non-transportation fuel (asphalt, kerosene, and heavy fuel oil);
- Lubricants and chemicals; and
- Purified bottled water.

Currently, to the best of the Directors knowledge and belief, there is no marketer of LNG for the retail market in Jamaica. FESCO intends to become a distributor/marketer of LNG for transportation in the near future.

### 9.3 ORGANIC GROWTH

FESCO's OPEX and CAPEX philosophy relies on the efficient deployment of invested capital. FESCO has achieved commendable organic growth through its fervent dedication to delivering superior products and experiences to customers and dealers while generating above-average returns, as measured by ROIC, for its Shareholders. Having developed the discipline required to execute such a business model, which greatly emphasises organic growth and the efficient deployment of capital financed by retained earnings, FESCO now seeks additional capital to take advantage of significant opportunities that, it believes, will continue to allow its:

- a) customers to be delighted by its service;
- b) Shareholders to continue to enjoy above-average ROIC; and
- c) Licensed Retailers to regard FESCO as the marketer of choice.

FESCO strongly believes that the build-out of its DODO and CIDO stations will continue to yield positive returns to all its stakeholders.

### 9.4 INDUSTRIAL FUELS & /OR PRIVATE SUPPLY

FESCO provides both fuel equipment solutions and affordable reliable fuel supply to the construction, distribution, manufacturing, and transportation sectors

via industrial and fuel sales of Heavy Fuel Oil, Kerosene, Asphalt, Ultra Low Sulphur Diesel, and Automotive Diesel Oil. FESCO's customers rely on FESCO to develop and deploy technological solutions that enable them to operate at maximum efficiency, such as electronic fleet management and tank-monitoring.

## 9.5 CONSUMER COOKING GAS/ LPG

LPG has replaced charcoal as the primary household fuel in approximately 84% of Jamaican homes, improving the standard of living and easing the rate of deforestation for fuel supplies<sup>11</sup>. FESCO is yet to enter the commercial or retail LPG market. The LPG cooking gas market currently has five (5) players but is dominated by three (3) major players. As at September 2020, average litres of LPG sold monthly is estimated at 13,957,716 or between J\$1.5B- J\$1.9B at retail. While in 2019, the LPG market was estimated to have sold an average of 15,673,685 litres monthly or between J\$1.7B - J\$2.2B monthly at the retail level. Moreover, the market for LPG has grown at a compound annual growth rate of 9.54% between 2015- 2019.

**TABLE 1: MARKET DATA FOR LPG SALES FOR THE PERIOD 2015-2019 AS PROVIDED BY THE MINISTRY.**

MARKET DATA - JAMAICA						
LITRES	2015	2016	2017	2018r	2019p	2020*(JAN - SEPTEMBER)
LPG	130,638,429	171,246,646	183,116,507	181,798,448	188,084,215	125,619,445
Growth		31.1%	6.9%	-0.7%	3.5%	
CAGR* (2015- 2019)	9.54%					
Monthly Average	10,886,536	14,270,554	15,259,709	15,149,871	15,673,685	13,957,716

Source : Ministry of Energy MOE  
 \*r - revised  
 \*p - preliminary

It is FESCO's intention to enter the consumer cooking gas market within twenty-four (24) months of listing its Ordinary Shares on the Junior Market. FESCO strongly believes that the build-out of its consumer cooking gas assets will yield attractive RONIC.

<sup>11</sup> Page 53 of the National Energy Policy 2009-2030

## 9.6 LNG FOR TRANSPORTATION

FESCO intends to retail LNG for the transportation industry at its FESCO Ferry (Mandela Highway) Service Station in 2021.

LNG is an efficient and cost-effective alternative to diesel for trucks and buses. Local suppliers of new trucks, including 1) Stewart Industrial, local distributor for Freightliner, Mitsubishi Fuso and Mercedes Benz trucks; and 2) TankWeld Equipment Limited, local and regional dealer for Shacman, have indicated their intention to supply LNG powered trucks for sale at prices that, when combined with the fuel cost savings of LNG, should prove to be an attractive alternative to traditional diesel-powered trucks.

FESCO's Ferry location is ideally suited to retail LNG. Mandela Highway is the main corridor for entry to and exit from KSA as well as for accessing both coasts of Jamaica (North and South). FESCO's Ferry location will facilitate efficient LNG refuelling for major manufacturers and distributors islandwide.

## 9.7 OTHER PRODUCTS & SERVICES

a) In 2019, FESCO began to market its proprietary brands of fast-moving items typically sold at Service Stations and convenience stores. These now include: internationally certified API Lubricants (FUTROIL™), Coolants (FUTRLUBE™), and purified bottled water (FYC Water™).

FESCO recently launched FUTROIL™ lubricants in December 2020. The FUTROIL™ brand is internationally API certified; a distinction that stands out in the Jamaican market. The FUTROIL™ line of lubricants includes fully synthetic, synthetic blends and mineral oils suitable for gas and diesel engines.

FESCO does not anticipate non-fuel sales to either dominate revenue or gross profits, nevertheless it is in keeping with FESCO's philosophy of operating business units that generate above average ROIC.

b) On November 26, 2020, FESCO opened its first FYC Supermarket in Bodles, St. Catherine. The FYC Supermarket provides customers with a one-stop shopping experience as customers can fuel their vehicles, do their grocery shopping and even purchase a scoop of Devon House Icecream. The full-service FYC

Supermarket includes a wide range of food, beverages and household products while it also houses a Devon House Icecream outlet, ATM and a deli. The FYC Supermarket is in a prime location on the Old Harbour main road which is in close proximity to Old Harbour and May Pen. This opening therefore serves the many housing complexes within a 5 to 10 mile radius. The feedback from customers thus far has been excellent as they enjoy the parking, clean and relaxed atmosphere and the prices which include layered discounts.

The Company plans to open a FYC Mart at the Ferry (Mandela Highway) Service Station and also an FYC Express™ at the Beechwood Avenue Service Station, both of which are set to open in 2021. Currently, FESCO does not directly earn any revenue from its FYC Supermarket or FYC Express™ trademarks at dealer locations. However, FESCO will earn revenues from its operation of its FYC Express™ store at its Beechwood Avenue COCO location in 2021.

## 9.8 TIMELINE

### 2014

- Commenced operations
- Opened three (3) FESCO branded Service Stations
- Industrial fuel clients

### 2015 - 2016

- Opened two (2) additional FESCO branded Service Stations
- Industrial fuel clients

### 2017

- Opened two (2) additional FESCO branded Service Stations
- Industrial fuel clients

### 2018

- Opened five (5) additional FESCO branded Service Stations
- Industrial fuel clients

### 2019

- Opened one (1) additional FESCO branded Service Stations
- Industrial fuel clients



- Introduced FESCO branded products (FUTRLUBE™ and FYC Water™)
- Obtained LPG licence
- Official fuel partner of the Jamaica Tallawahs
- Official title sponsor of JGRA's Road Safety Month
- Official fuel sponsor of 'Long Walk to Freedom Tour'

### 2020 - Beyond

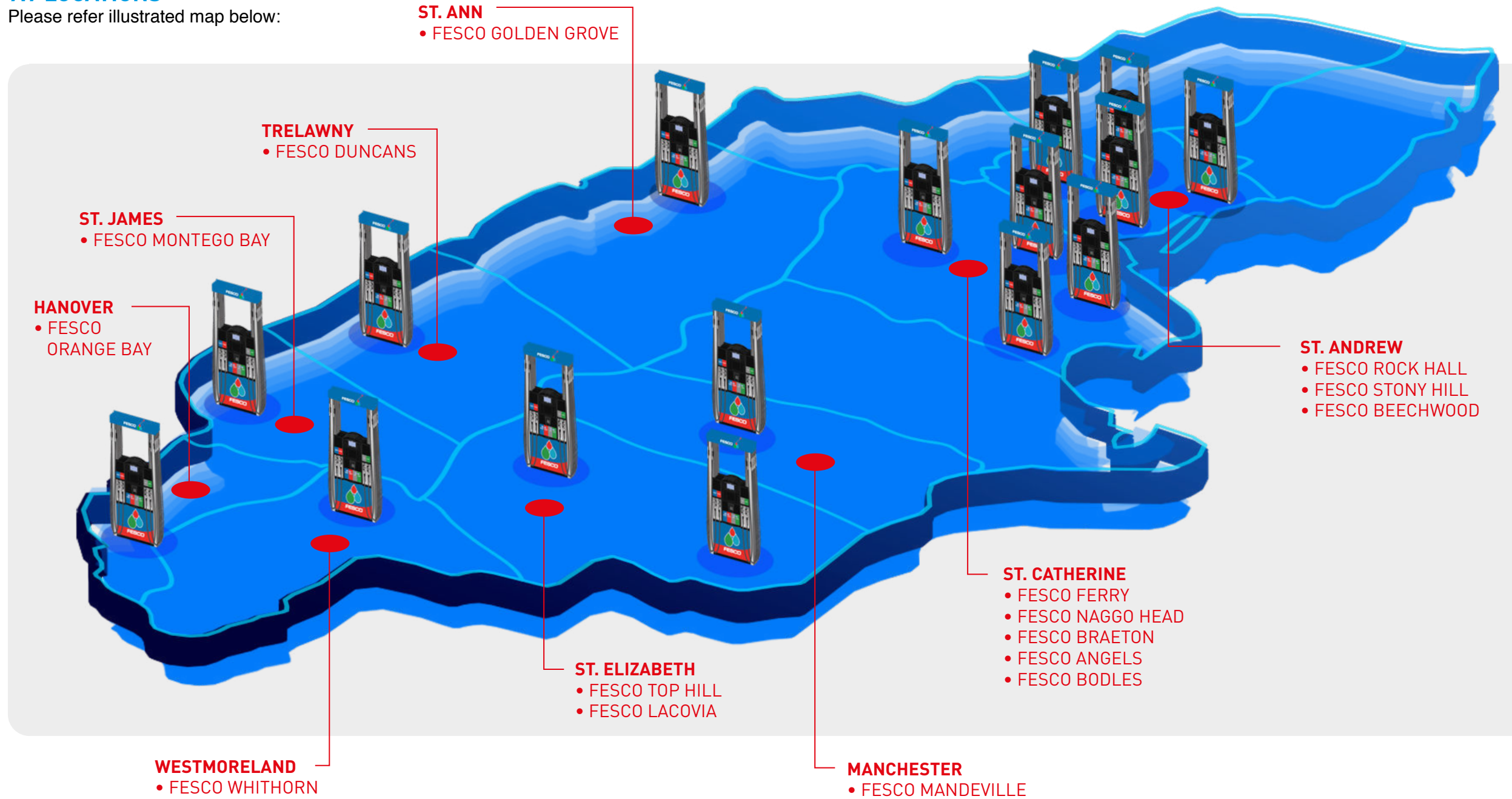
- Opening of FYC Supermarket in Bodles, St. Catherine
- Will open three (3) additional FESCO branded Service Stations
- Industrial fuel clients
- Launched FESCO branded products FUTRLUBE™, FYC Water™ and FUTROIL™
- LPG and LNG
- Official fuel partner of the Red Stripe Premier League

**Having established FESCO and its brands, its next move is growth!**



## 9.9 LOCATIONS

Please refer illustrated map below:





PARISH	CITY/TOWN	STATION	OWNERSHIP	DESIGNATION	STATUS
KINGSTON & ST. ANDREW	ROCK HALL	FESCO ROCK HALL	DEALER OWNED	RURAL	OPEN
KINGSTON & ST. ANDREW	STONY HILL	FESCO STONY HILL	DEALER OWNED	RURAL	OPEN
KINGSTON & ST. ANDREW	HALF WAY TREE	FESCO BEECHWOOD	COMPANY OWNED	URBAN	JUNE - 21
ST. CATHERINE	MANDELA HIGHWAY	FESCO FERRY	DEALER OWNED	COMMUTER	APRIL - 21
ST. CATHERINE	PORTMORE	FESCO NAGGO HEAD	DEALER OWNED	URBAN	OPEN
ST. CATHERINE	BRAETON, PORTMORE	FESCO BRAETON	DEALER OWNED	URBAN	OPEN
ST. CATHERINE	ANGELS SPANISH TOWN	FESCO ANGELS	DEALER OWNED	URBAN	OPEN
ST. CATHERINE	BODLES, OLD HARBOUR	FESCO BODLES	DEALER OWNED	RURAL	OPEN
MANCHESTER	MANDEVILLE	FESCO MANDEVILLE	DEALER OWNED	URBAN	OPEN
ST. ELIZABETH	JUNCTION, TOP HILL	FESCO TOP HILL	DEALER OWNED	RURAL	OPEN
ST. ELIZABETH	LACOVIA	FESCO LACOVIA	DEALER OWNED	COMMUTER	OPEN
WESTMORELAND	WHITHORN	FESCO WHITHORN	DEALER OWNED	RURAL	OPEN
HANOVER	ORANGE BAY/ NEGRIL	FESCO ORANGE BAY	DEALER OWNED	RURAL	OPEN
ST. JAMES	PORTOBELLO MONTEGO BAY	FESCO MONTEGO BAY	DEALER OWNED	URBAN	OPEN
TRELAWNY	DUNCANS	FESCO DUNCANS	DEALER OWNED	URBAN	OPEN
ST. ANN	GOLDEN GROVE	FESCO GOLDEN GROVE	DEALER OWNED	RURAL	OPEN

## HEAVEN'S FESCO MANDEVILLE, MANCHESTER



### 9.10 TAX COMPLIANCE

The Company is tax compliant and has satisfied all the statutory requirements in respect of Income Tax (including PAYE), General Consumption Tax, Education Tax and also in respect of NIS, NHT and HEART contributions as well as Property Tax. The Company holds a Tax Compliance Certificate valid up to and including April 21, 2021.

## FESCO BODLES



## FYC SUPERMARKET



### 9.11 CONCESSIONARY REGIME FOR TAXATION OF JUNIOR MARKET COMPANIES

If the Ordinary Shares are admitted to trading on the Junior Market, the Company will benefit from a 10-year concessionary tax regime that starts from the date of listing. In the first five (5) years, it will be eligible for a full remission

of corporate income tax, and in the subsequent 5-year period, it will be eligible for a partial (50%) remission of corporate income tax. The Company must remain listed on the Junior Market for a minimum of fifteen (15) years to enjoy this benefit and a failure thereof will result in the Company being liable to repay the tax that was remitted. Transfers of any Ordinary Shares on the JSE are exempt from transfer tax and stamp duty. Dividends received by Jamaican resident shareholders are subject to a 15% rate of income tax. The tax on dividends is to be withheld at source by the Company as a final tax. Each prospective Shareholder should consult with an independent adviser as to the rate of withholding and other taxes that are applicable to them.

### 9.12 CORPORATE DETAILS

FESCO was incorporated in 2013 as a limited liability company under the Act and has its registered address at 13 Paraiso Avenue, Kingston 10. On December 8, 2020, FESCO amended its registration with the Companies Office of Jamaica to become a public company in preparation for the Invitation.

### 9.13 CAPITAL STRUCTURE

As at December 31, 2020, the latest practicable date prior to publication of this Prospectus, the authorised and issued share capital of the Company were as follows:

AUTHORISED:	NO MAXIMUM ORDINARY SHARES
ISSUED PRIOR TO THE INVITATION:	2,200,000,000 ORDINARY SHARES
MAXIMUM TO BE ISSUED IN THE INVITATION:	300,000,000 ORDINARY SHARES
TOTAL ISSUED SHARES AFTER SUCCESSFUL INVITATION:	2,500,000,000

By virtue of the provisions of the Act, shares in the Company have no par value.

In anticipation of the Invitation and listing of the Ordinary Shares on the Junior Market, the Company at an Extraordinary General Meeting held on Tuesday, December 8, 2020 passed a resolution authorizing the following steps in respect of the capital structure of the Company:

- a) to convert from a private to a public company and amend its Articles of Incorporation to comply with the requirements of the Rules of the JSE;
- b) to vary its authorized share capital from 1,000 ordinary shares to an unlimited maximum;
- c) to convert its ordinary shares to stock units on issue;
- d) the listing of the ordinary stock units on the Junior Market; and
- e) to ratify all actions taken by the Board of Directors in pursuance of the Invitation and the listing of the Ordinary Shares on the Junior Market.

Following the passing of the above-mentioned resolution, the Company filed the following documents with the Registrar of Companies: (1) Amended Articles of Incorporation; (2) Application and Declaration of Minimum Share Capital; (3) Notice of Increase in Share Capital together with a copy of the said resolution; (4) Certificate of Minimum Share Capital; and (5) Notice of Appointment of/ Change of Directors.

**THE SHARES IN THE INVITATION WILL BE NEWLY ISSUED SHARES OF THE COMPANY AND EXISTING SHARES OF THE SELLING SHAREHOLDER.**

<sup>12</sup> Source: The Ministry's Market Data for transportation Fuels (E10 87, E10 90, ADO and ULSD) 2018-2020 and FESCO's product distribution of data for 2018-2020.

## 9.14 SHAREHOLDINGS IN THE COMPANY BEFORE AND AFTER THE INVITATION

### BEFORE THE INVITATION

As at September 30, 2020, the holdings of Ordinary Shares in the capital of the Company were as follows:

Name of Shareholder	Ordinary Shares	% Ownership
Errol McGaw	180	20%
Junior Williams	180	20%
Hugh Coore	180	20%
Trevor Barnes	180	20%
Lyden D. "Trevor" Heaven	180	20%
Total	900	100%

As at December 30, 2020, the holdings of Ordinary Shares in the capital of the Company are as follows:

Name of Shareholder	#of Ordinary Shares prior to Invitation	% of Shares prior to Invitation
Jeremy Barnes	65,000,000	2.95%
FESCO Founders Pool Limited	309,999,998	14.09%
Hugh Coore	40,000,000	1.82%
Tweedside Holdings Limited	364,734,616	16.58%
Lyden D. "Trevor" Heaven	40,000,000	1.82%
Trevor Heaven Holdings Limited	308,986,553	14.04%
Junior Williams	154,330,478	7.02%
Neville Allen	154,330,478	7.02%
Trevor Barnes	374,614,688	17.03%
Errol McGaw	388,003,189	17.64%
Total Issued Share Capital	2,200,000,000	100%



## AFTER THE INVITATION

If this Invitation is fully subscribed by the Non-Reserved Share Applicants and the Reserved Share Applicants, the Shareholdings will be as follows:

Name of Shareholder	#of Ordinary Shares after Invitation	% of Shares after Invitation
Jeremy Barnes	65,000,000	2.6%
FESCO Founders Pool Limited	309,999,998	12.4%
Tweedside Holdings Limited	364,734,616	14.6%
Trevor Heaven Holdings Limited	308,986,553	12.4%
Junior Williams	134,330,478	5.4%
Neville Allen	134,330,478	5.4%
Trevor Barnes	334,614,688	13.4%
Errol McGaw	348,003,189	13.9%
General Public	175,000,000	7.0%
Broker Reserve Pool	175,000,000	7.0%
Employee Reserve Pool	25,000,000	1.0%
Key Partnere Reserve Pool	125,000,000	5.0%
Total Issued Share Capital	2,500,000,000	100.0%

Some of the Directors of the Company are affiliated with the three (3) companies listed above, namely Tweedside Holdings Limited, Trevor Heaven Holdings Limited and the FESCO Founders Pool Limited. The affiliations are as follows:

COMPANY	PARTICULARS
Tweedside Holdings Limited (" <b>Tweedside</b> ")	Hugh Coore is a director and shareholder of Tweedside and his shareholding in Tweedside as at December 31, 2020 is 50% and after the Invitation will be 50%.
Treavor Heaven Holdings Limited (" <b>THHL</b> ")	Lyden D. "Trevor" Heaven is a director and the founder of THHL and his shareholding in THHL as at December 31, 2020 is 40% and after the Invitation will be 40%.
FESCO Founders Pool Limited (" <b>FFPL</b> ")	<p>Lyden D. "Trevor" Heaven, Hugh Coore, Errol McGaw, Junior Williams and Trevor Barnes are the directors and founders of FFPL. Their shareholdings in FFPL as at December 31, 2020 are as follows:</p> <p>Lyden D. "Trevor" Heaven ... 2 shares or 20% in the capital of FFPL            Hugh Coore ..... 2 shares or 20% in the capital of FFPL            Errol McGaw ..... 2 shares or 20% in the capital of FFPL            Junior Williams ..... 2 shares or 20% in the capital of FFPL            Trevor Barnes ..... 2 shares or 20% in the capital of FFPL</p> <p>The above shareholdings will remain the same after the Invitation.</p>



### 9.15 REAL PROPERTY

As at December 31, 2020, the latest practicable date prior to the publication of this Prospectus, the Company owns and leases the following real property:

#### PROPERTIES OWNED

- 7 Beechwood Avenue, Kingston 10
- 9 Beechwood Avenue, Kingston 10
- 8 Park Avenue, Kingston 10

#### LEASED PROPERTY

- 13 Paraiso Avenue, Kingston 10

### 9.16 INTELLECTUAL PROPERTY

As at the date of this Prospectus, the Company has the following interests in intellectual property:

TRADEMARK	TRADEMARK NUMBER	EXPIRATION DATE
FUTRON™	75504	July 19, 2028
FUTRLUBE™	75370	July 2, 2028
FUTROIL™	75371	July 2, 2028
FYC Express™	75369	July 2, 2028
FESCO™	67206	May 20, 2025

The Company currently earns its revenue from the sale of fuel, lubricants and water and leasing fuel equipment, utilizing the Futron™, Futrlube™, Futroil™, FESCO™ and FYC Purified Express™ trademarks. The Company allows its dealers the use of its FYC Express™ trademarks and FYC Supermarket name without any direct compensation at this time.

The Company is registered at the Jamaica Intellectual Property Office as the registered proprietor of the following trademarks:



**FUTRLUBE**

**FUTROIL**

## 9.17 MATERIAL CONTRACTS

The Company entered into the following material contracts in the last two (2) years:

Date	Counterparty	Amount (J\$)	Duration	Brief Details
January 31, 2020	Paramount Trading (Jamaica) Limited	NO CONSIDERATION	3 years	Agreement for the production and distribution of lubricants
February 7, 2019	Cornerstone Trust and Merchant Bank Limited	60,000,000.00	5 years	Mortgage for the purchase of 7&9 Beechwood Avenue and 8 Park Avenue
August 11, 2019	Cornerstone Trust and Merchant Bank Limited	4,743,351.90	3 years	Lease financing for the Company's panel van
September 29, 2020	National Commercial Bank Jamaica Limited	J\$20,000,000.00	Renewed annually	Cash secured overdraft facility

- The Company also has confidential and proprietary contracts with its dealers and haulage contractors.

## 9.18 RELATED PARTY TRANSACTIONS

### A) HAULAGE CONTRACTORS

FESCO engages haulage contractors to deliver fuel to Service Stations and private clients who use fuel in their daily operations. Two (2) of the haulage contractors employed by FESCO are owned by Directors namely Coore's Limited with its principal being Hugh Coore (a Director) and Mackville Car Rentals Limited with its principals being Trevor Barnes (a Director). Combined, Coore's Limited and Mackville Car Rentals Limited, on average, hauls 60-65% of the fuel sold by FESCO.

### B) SERVICE STATIONS (DIRECTORS OF FESCO)

FESCO wholesales fuel (E10 87, E1090, ULSD and diesel) along with FESCO branded products to retail Service Stations throughout Jamaica. Seven (7) of the FESCO branded Service Stations are owned by Directors of FESCO namely:

- FESCO Braeton - Trevor Barnes (Mackville Car Rentals Limited)
- FESCO Bodles Old Harbour - Trevor Barnes (Mackville Car Rentals Limited)
- FESCO Angels - Hugh Coore (Coore's Limited)
- FESCO Ferry Mandela Highway-Hugh Coore (Coore's Limited)
- FESCO Naggo Head - Junior Williams (Alwil Limited)
- FESCO Mandeville (Heaven's FESCO) - Lyden D. "Trevor" Heaven (TM&T Limited)
- FESCO Stony Hill - Errol McGaw (Petromac Limited)

### C) CONFLICT OF INTEREST

The Act requires Directors to be proactive in relation to their declaration of interests and as part of good governance practices FESCO has recognized that it must explain how conflicts of interest are managed at board level and within the Company's operations. Also, it is acknowledged that due to the nature of the industry and the Company's ownership structure, conflicts of interests may arise based on inter-related party transactions. FESCO, being cognizant of these particulars, will ensure the highest standards are maintained for good corporate governance. Where there is a conflict of interest, the Director so affected shall declare his or her interest to the chairman and the details of the conflict are to be recorded by FESCO's company secretary.

Additionally, a Director who has a conflict of interest shall not participate in the deliberations on the particular matter and will excuse himself from the discussions in respect of those interests during the period of discussion of the matter.

Comprehensive details of the requisite procedures are set out in the Company's Conflict of Interest and Disclosure Policy included as part of the Company's Corporate Governance Code.

### 9.19 FIRE AT FESCO MANDEVILLE HEAVEN'S SERVICE CENTRE ON FEBRUARY 21, 2020

All FESCO branded Service Stations that are currently owned and operated by Licensed Retailers are independent corporate personalities that are required to observe FESCO's standards and protocols, including risk management.

For the first time in FESCO's history, there was a fire at one of its DODO locations - Heaven's Mandeville Service Station. All FESCO branded Service Stations are currently owned and operated by dealers and as such, it is the individual corporate responsibility of these DODO Service Stations to observe FESCO's standards and protocols, including risk management. Notwithstanding, FESCO was quick to respond in providing much needed assistance to Heaven's Service Station in line with its disaster response management as well as making available its competencies in equipment sourcing & logistics, procurement, and installation. It is our belief that the FESCO Heaven's Service Station has handled the consequences of the incident responsibly and with compassion. It has also satisfied the respective regulatory agencies' certification and licence requirements and was reopened for full operation in March 2020. The Service Station continues to be well patronized by the community of Mandeville.

#### A) LITIGATION

As at December 31, 2020 the latest practicable date prior to the publication of this Prospectus, the Company was not engaged in any material litigation nor is it aware of any pending material litigation.

#### B) DIVIDEND POLICY

If the Company's Ordinary Shares are admitted to the Junior Market, the Directors intend to pursue a dividend policy that projects an annual dividend of approximately 25% of net profits available for distribution, subject to the need for reinvestment in the Company from time to time. The Board of Directors may change this dividend policy from time-to-time as a result of, among other things, changes in the return-on-equity of the Company, its liquidity needs or material changes in tax policy affecting the business.

In the (5) years preceding this Prospectus the Company has declared and paid no dividends.

#### C) CHARGES REGISTERED AGAINST THE COMPANY

As at December 31, 2020, the last practicable date prior to the publication of this Prospectus, the following charges were registered against the Company:

DATE OF REGISTRATION	CHARGOR	AMOUNT SECURED	COLLATERAL DESCRIPTION
August 27, 2019	Cornerstone Trust & Merchant Bank Ltd.	J\$4,743,351.90	2020 Hyundai H1 Panel Van <sup>12</sup>
November 14, 2019	Cornerstone Trust and Merchant Bank Limited (formerly MF& G Trust & Finance Limited)	J\$60,000,000.00	7&9 Beechwood Avenue and 8 Park Avenue <sup>13</sup>

<sup>12</sup> The amount secured by the Company from Cornerstone Trust and Merchant Bank Limited as described in the table above is reflected on the Security Interests in Personal Property Register.

<sup>13</sup> The amount secured by the Company from Cornerstone Trust and Merchant Bank Limited (formerly MF&G Trust & Finance Limited) as described in the table above is reflected in the Register of Charges with respect to the Company maintained at the Companies Office of Jamaica.

## 9.20 INDUSTRY OVERVIEW & COMPETITION

### A) COMPANY OVERVIEW

FESCO (established in 2013), is the newest of the top ten (10) transportation fuel marketing companies in Jamaica. Despite being the newest, FESCO is the sixth (6th) largest transportation fuel marketer in Jamaica and the third (3rd) largest local marketer<sup>15</sup>. The Company markets transportation fuels, proprietary lubricants and proprietary bottled water to its growing network of mainly DODO Service Stations. Additionally, the Company markets the following to industrial/commercial customers: fuel equipment solutions, transportation fuels and non- transportation petroleum-derived products such as Asphalt, Heavy Fuel Oil and Kerosene Oil.

The Company recently began construction (October 2020) of its head office and first COCO Service Station on Beechwood Avenue, Saint Andrew which is scheduled to open in June 2021. The Company also intends to enter the cooking gas/LPG market within twenty-four (24) months of listing its Ordinary Shares on the Junior Market.

### B) TRANSPORTATION FUELS

For the period January-September 2020, the transportation fuel market in Jamaica was estimated to be approximately 86.6 million litres monthly<sup>16</sup> (E10 87, E10 90, ADO & ULSD) or approximately eleven to thirteen billion dollars (J\$11-J\$13B) monthly at the retail end of the market. For the same period in 2019, the market was 93.6 million litres monthly or approximately twelve to fourteen billion dollars (J\$12-J\$14B). Despite the decline in transportation fuels by 7.5% for the January-September 2020 period relative to the January-September 2019 period, FESCO believes that the local transportation fuel market for December 2020 will recover to 95% of its December 2019 volume in litres<sup>17</sup>. FESCO estimates that the overall decline in the market will be only 5.0% due to: (i) a reduction in lockdowns caused by COVID-19; (ii) slow but steady increase of the curfew hours especially during the month of December 2020 having a positive impact on the operating hours of Service Stations; and (iii) refinery prices remaining relatively low and stable.

**TABLE 2: THE MINISTRY'S MARKET DATA ON TRANSPORT FUELS FOR THE PERIOD 2018-2020**

TRANSPORTATION FUELS ONLY			
87, 90, ADO & ULSD Only			
Market Data in Litres	2018	2019	2020
January	84,127,611	92,881,979	105,967,325
February	80,373,364	88,626,792	99,793,222
March	111,823,283	93,548,170	85,120,443
April	85,557,025	94,691,552	62,167,632
May	103,381,747	97,011,060	73,145,432
June	93,830,391	93,177,999	84,801,844
July	95,078,457	102,748,937	98,435,881
August	85,960,382	89,596,169	85,736,083
September	84,186,542	90,152,126	84,365,477
October	91,037,421	97,609,803	
November	102,928,099	100,142,406	
December	114,165,439	107,322,212	
Monthly Average (12 months)	91,535,622	94,004,459	Not Available
Monthly Average (Jan - September)	91,590,978	93,603,865	86,614,815
Growth/decline		2.2%	-7.5%

Source: The Ministry

COVID-19 has affected the overall economy of Jamaica and the fortunes of the Company for its 2021 financial year. Owing to store closures during lockdowns (St. Catherine in particular where we have four (4) Service Stations) and restricted opening hours islandwide, FESCO's Service Stations sales (in litres) have been affected, which in turn affects the Company's ability to earn.

<sup>15</sup> According to FESCO's management's estimates as at September 2020 compared to the Ministry's Industry Data collected for 2018-2020

<sup>16</sup> According to the Ministry's estimates for the period January-September 2020

<sup>17</sup> Based on FESCO's management's estimates for 2020 which is informed by the Ministry's data for January-September 2020



The major impact was felt during lockdown months of April and May 2020 where FESCO's sales in terms of litres were negatively affected. Compared to April and May 2019 combined, April and May 2020 sales of transportation fuels for FESCO in litres fell by 17.4%. During this period, the national market fell by 29.4% which reflects that FESCO fared better than the overall market. However, we are pleased to report that since that time, FESCO's sales have significantly outstripped its 2019 performance in terms of litres sold. In fact, FESCO's April through September 2020 sales in litres of transportation fuels sold is 6.6% ahead of its performance for the same period in 2019 despite the impact of COVID-19 and the overall market declining by 13.9%<sup>18</sup>. This is in part due to the following factors:

1. opening/addition of new Service Stations which resulted in an increase in FESCO branded stations relative to 2019;
2. increased demand for fuels at some Service Stations which is in part due to increased demand by customers for convenience as reduced opening hours means customers appreciate Service Stations that offer multiple services. Many of FESCO Service Stations are multi- service Service Stations;
3. increased demand from private clients who use fuel in their daily operations including manufacturing and construction; and
4. the acquisition of new private clients in the transportation, manufacturing and distribution sectors.

<sup>18</sup> Source: The Ministry's Market Data for transportation Fuels (E10 87, E10 90, ADO and ULSD) 2018-2020 and FESCO's product distribution of data for 2018-2020

**TABLE 3: FESCO'S ESTIMATION OF COVID-19 IMPACT ON SALES OF TRANSPORTATION FUELS FOR THE PERIOD APRIL-OCTOBER 2020 COMPARED TO PRE-COVID-19 SALES IN APRIL-OCTOBER 2019.**

FESCO SUMMARY VOLUME IN LITRES				CUMULATIVE YTD	CUMULATIVE YTD	
TRANSPORTATION FUELS ONLY (E10 87, E10 90, AD & ULSD)	2019	2020		2019	2020	CUMULATIVE
Monthly (Litres)	FESCO	FESCO	Growth/ Decline	FESCO	FESCO	Growth/ Decline
April	3,583,852	2,557,710	-28.6%	3,583,852	2,557,710	-28.6%
May	3,407,540	3,215,624	-5.6%	6,991,392	5,773,334	-17.4%
June	3,426,222	4,025,563	17.5%	10,417,614	9,798,897	-5.9%
July	3,808,914	4,887,184	28.3%	14,226,528	14,686,081	3.2%
August	3,723,584	4,218,501	13.3%	17,950,112	18,904,582	5.3%
September	3,358,828	3,802,739	13.2%	21,308,940	22,707,321	6.6%
October	3,612,421	4,306,542	19.2%	24,921,361	27,013,863	8.4%

Source: Fesco's management

**TABLE 4: THE MINISTRY'S MARKET SUMMARY OF COVID-19 IMPACT ON SALES OF TRANSPORTATION FUELS FOR THE PERIOD APRIL-SEPTEMBER 2020 COMPARED TO PRE-COVID-19 SALE IN APRIL-SEPTEMBER 2019**

MARKET SUMMARY VOLUME IN LITRES				CUMULATIVE YTD	CUMULATIVE YTD	
TRANSPORTATION FUELS ONLY (E10 87, E10 90, AD & ULSD)	2019	2020		2019	2020	CUMULATIVE
Monthly (Litres)	Market	Market	Growth/ Decline	Market	Market	Growth/ Decline
April	94,691,552	62,167,632	-34.3%	94,691,552	62,167,632	-34.3%
May	97,011,060	73,145,432	-24.6%	191,702,611	135,313,064	-29.4%
June	93,177,999	84,801,844	-9.0%	284,880,610	220,114,908	-22.7%
July	102,748,937	98,435,881	-4.2%	387,629,547	318,550,789	-17.8%
August	89,596,169	85,736,083	-4.3%	477,225,716	404,286,872	-15.3%
September	90,152,126	84,365,477	-6.4%	567,377,842	488,652,348	-13.9%

Source: The Ministry

FESCO has also found that reduced opening hours has had a far lesser impact on its sales than anticipated and that its new Service Station's openings, wide geographic spread of its locations, expanded network, increased demand by customers for convenience at Service Stations, and growth in its supply to private clients has allowed it to grow in 2020 despite the initial impact of COVID-19<sup>19</sup>.

The manufacturing, distribution and transportation sectors are key to Jamaica's economy and fuel is what drives these sectors. FESCO has found that despite schools remaining closed, and work from home protocols being observed by many companies, the demand for fuel continues to recover nationally as the work from home protocols and other measures have mainly shifted consumption patterns and not necessarily reduced them.

FESCO is however grateful to its loyal patronage helped by the value proposition of its dealer Service Stations as well as the fact that the total lockdown of sections of the country was short lived. As a result of this, FESCO's sales and gross profits were only significantly affected in April and May when its four (4) St. Catherine Service Stations were forced to close during the lockdown period.

Though some locations were significantly affected by the impact of the COVID-19 and our national response, our island-wide geographic spread, strong brand and services have allowed FESCO to report a positive performance in 2020. In a time when the market has seen a larger contraction than what we have experienced, it is our belief that we have been successful in taking advantage of the crisis by increasing our market share.

The fuel marketing business for transportation fuels is very competitive, with over nineteen (19) fuel marketing companies competing to service the motoring public at over three hundred and fifteen (315) Service Stations donning over forty-six (46) brands<sup>20</sup>. Despite the competition, the industry is currently dominated by a few multinational companies when measured by volume of petrol sold and number

of Service Stations. They, the big three (3) multinationals, currently combined, have approximately 72.3% market share<sup>21</sup>. The multinationals' dominance is most pronounced in the KSA area where they are ubiquitous. FESCO's current market share is approximately 4.65% (April - September 2020) and is expected to grow to 7.0% by December 2021. FESCO estimates that: (1) having grown its market share from 3.5% in 2018 to 4.65% as at September 2020, (2) the addition of the Service Stations at Ferry (Mandela Highway) and Beechwood Avenue, respectively which are scheduled to be completed in 2021, (3) the increase in business at existing Service Stations and, (4) increased presence in the area of supplying fuels to private clients, it will further increase its market share and distribution of transportation fuels locally (that is, 87, 90, ADO & USLD) to 7.0% by December 2021.

In recent times, with the urban expansion/conversion of rural communities and the growth in the tourism market outside of Kingston, transportation fuel marketers have sought to expand their networks by developing Service Stations outside of KSA. This is no different for FESCO, it has opened the following branded Service Stations within the last twenty-four (24) months: FESCO Orange Bay Negril, FESCO Golden Grove St. Ann and FESCO Bodles Old Harbour.

### **C) SERVICE STATION OPERATION**

Service Stations, generally, service the residential and business communities in which they are located; with the exception being Service Stations that are positioned along busy thoroughfares that take advantage of extended commutes. Services Stations are mostly operated by dealers who operate two (2) or less Service Stations with the exception being that of COCO Service Stations. Accordingly, Service Stations' operations are highly fragmented with many small providers serving the fuelling needs of their customers. Generally, customers have choices of where to refuel and make their choice based on the value proposition of each Service Station and their own individual preferences.

Dealers, depending on their Service Station location, the CAPEX priorities of the owner of the Service Station and the demographics of their typical

<sup>19</sup> Fuel sales measure in litres

<sup>20</sup> See Appendix 2 for List of Service Stations brands

<sup>21</sup> All market share data are estimates computed and forecasted by the Company. They are based on market data Jan 2018 - September 2020 provided by the Ministry and the Company's own market analysis and estimates

customer, focus on one or a combination of the following factors:

- Safety
- Price
- Convenience
- Service

## D) FUEL MARKETING/WHOLESALE

Generally, transportation fuel marketers grow their businesses by either increasing their throughput at existing Service Stations, building/developing new Service Stations, or entering into agreements with owners of Service Stations (or private supply owners) to supply them with fuel. Historically, FESCO focused on increasing throughput at existing Service Stations, entering into supply agreements with owners of Service Stations and assisting owners of Service Stations to develop new Service Stations. However, FESCO has expanded its focus and will develop and operate its first COCO at its new head office at 7&9 Beechwood Avenue and 8 Park Avenue which are currently under construction and are to be completed by June 2021.

## E) COOKING GAS/LPG

In 2019, the cooking gas fuel market was estimated to average 15.7 million litres monthly which translates to approximately J\$1.7 billion to J\$2.2 billion monthly at the retail end of the market<sup>22</sup>. This represents a significant opportunity for FESCO to not only further diversify its offerings, but also increase its earnings. Between the period 2015 to 2019, the LPG market grew from a monthly average of 10.9 million litres in 2015 to 15.7 million litres in 2019, a compound annual growth rate of 9.5%. Despite the impact of COVID-19, the cooking gas fuel market has proven to be resilient as individuals and families have had to increase home cooking, which has partially offset the decline in consumption by restaurants and hotels. As a result, the cooking gas fuel market for 2020 has averaged 13.96 million litres (January - September 2020) down just 10.9% relative to the same period in 2019.

<sup>22</sup> Source: The Ministry's January 2018 and September 2020 LPG Market data.

**TABLE 5: THE MINISTRY'S LPG MARKET DATA FOR THE PERIOD 2015- 2020.**

MARKET DATA - JAMAICA						
LITRES	2015	2016	2017	2018r	2019p	2020*(JAN - SEPTEMBER)
LPG	130,638,429	171,246,646	183,116,507	181,798,448	188,084,215	125,619,445
Growth		31.1%	6.9%	-0.7%	3.5%	
CAGR* (2015- 2019)	9.54%					
Monthly Average	10,886,536	14,270,554	15,259,709	15,149,871	15,673,685	13,957,716

Source : Ministry of Energy MOE  
 \*r - revised  
 \*p - preliminary

While FESCO is yet to enter the retail or commercial LPG market and as a result does not yet supply LPG cooking gas (neither Propane, Butane nor LNG), our Directors and management team have significant experience as it relates to this business line. FESCO is aware that the LPG cooking gas market currently has five (5) players, but is dominated by three (3) major players. It is FESCO's intention to enter the consumer cooking gas market within twenty-four (24) months of listing its Ordinary Shares on the Junior Market, which will be financed, in part, by the funds raised via the Invitation.

## 9.21 FESCO FOUNDERS POOL LIMITED

The FESCO Founders Pool Limited was established by five (5) existing Directors, namely Lyden D. "Trevor" Heaven, Hugh Coore, Errol McGaw, Junior Williams and Trevor Barnes whose addresses are set out in Section 16.1 ("Existing Directors"), and is not a subsidiary of FESCO.

One of the main purposes of the FESCO Founders Pool Limited is to incentivise FESCO employees and dealers of FESCO Service Stations with an option to purchase Ordinary Shares in the Company at a time and at a price to be determined in the future by the Existing Directors (the "Option").

The Option will therefore be exercisable by those persons who at that relevant time in the future have existing contracts with FESCO as an employee as well as a dealer of a FESCO Service Station. Presently, FESCO Founders Pool Limited has not yet determined the period during which the Option will be exercisable and the price and/or consideration to be given for the Shares.





PROUDLY *JAMAICAN*



# 10

## DIRECTORS & MANAGEMENT

10.1 THE BOARD OF DIRECTORS

10.2 CORPORATE GOVERNANCE & ACCOUNTABILITY

10.3 SENIOR MANAGEMENT TEAM

10.4 ORGANISATION STRUCTURE

### 10.1 THE BOARD OF DIRECTORS

The Board of Directors of FESCO comprises of eleven (11) persons. Brief details of the Directors appear below. The Directors' addresses are set out in Section 16.1.





## CHAIRMAN'S COMMENT

Looking back on the last six (6) years, starting from our entry into the Jamaican market, our Company has weathered some significant challenges. However, they did not stop us from accomplishing some extraordinary things. This we can attribute directly to the robust leadership of our Board and our executive management team, who managed to deliver our strategic execution regardless of circumstances. I extend my heartfelt gratitude to our staff, who are fundamental to the vibrancy and success of our company, and our customers, who have continued to support us over the years and have propelled us to where we are today.

## EXECUTIVE DIRECTORS

### LYDEN D. "TREVOR" HEAVEN - CHAIRMAN

Mr. Lyden D. "Trevor" Heaven is a Graduate of The University of Reading, and a chartered electrical engineer by profession, with extensive experience in the bauxite/alumina industry. He has been in the petroleum industry as a franchise operator since 1988. Mr. Heaven is currently the owner/operator of Heaven's FESCO's DODO in Mandeville. He is a two-time Past President of the Jamaica Gasoline Retailers Association ("**JGRA**"). Mr Heaven is a Justice of the Peace, serving currently as Vice President of The Lay Magistrates Association of Jamaica and a Rotary Past President and District Chair. He currently serves as Chairman of Cornerstone Trust and Merchant Bank ("**CTMB**"), Chairman of the Credit and Audit Committees for CTMB and several other corporate and school boards.



**HUGH COORE**  
– VICE CHAIRMAN

Mr. Hugh Coore has a very long and active career in the petroleum industry, being the owner & operator of several Service Stations. He is also a petroleum haulage contractor. In addition to being a Director of the JGRA for fifteen (15) years, Mr. Coore is a Director of Cornerstone Financial Holdings Limited. Mr. Coore is also a Kiwanian.



**JEREMY BARNES**  
– DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr. Jeremy Barnes is a senior executive with extensive experience in operations management, financial analysis and financial management. He has over twenty (20) years of experience in the fuel trade, holding positions of dealer and managing director prior to his engagement at FESCO. He holds a Master of Business Administration from the Mona School of Business, University of the West Indies and a Bachelor of Business Administration in Finance from the Zicklin School of Business Baruch College in New York City, U.S.A where he graduated Summa Cum Laude and was the recipient of the Irvine Fromme academic Scholarship for International Finance. Mr Barnes is a former chief financial officer and chief operating officer of Marathon Insurance Brokers and Federal Capital Group Limited.



**ERROL MCGAW**  
- DIRECTOR

Mr. Errol McGaw's long, illustrious and diverse career in the petroleum industry qualifies him as a true professional having had the unique experience of working in all three sectors of the industry. His forty-six (46) years are divided into two (2) years as a refinery process technician, ten (10) years as a marketing executive at Esso Standard Oil (Exxon), and thirty-four (34) years as owner and operator of Petromac Servicentre Ltd. Stony Hill Square (FESCO's DODO in Stony Hill). In addition to his extensive training while at Esso, Mr. McGaw also holds a Bachelor of Science Degree with a major in Marketing from the University of Oregon, USA. He has served the Executive Committee of the JGRA in various positions over the years.



**JUNIOR WILLIAMS**  
- DIRECTOR

Mr. Junior Williams has over forty (40) years of marketing experience, spanning the field as marketing representative, marketing consultant and marketing manager. In the public sector, he worked as a marketing consultant and in the private sector in the marketing and sales of consumer and industrial products. At Esso Standard Oil, Mr. Williams worked as a marketing representative and at Petcom as marketing manager, where he was instrumental in the establishment of the Petcom brand. He received extensive training in petrol retailing, site development and marketing at Petro-Canada. Mr. Williams was also trained in market research in England and marketing and trade development in Holland.



**TREVOR BARNES**  
- DIRECTOR

Mr. Trevor Barnes is a seasoned petroleum industry operator having worked for a number of years with Texaco. He is the owner/operator of FESCO's DODO in Braeton and FESCO's DODO in Bodles and has in the past operated other stations under other brands including Esso and Petcom. He is also a petroleum haulage contractor. Mr. Barnes is a Past President of the JGRA and he is a Justice of the Peace. Mr. Barnes is an active member of The Church of St. Margaret having served on the church committee for several years, led its fund- raising committee and is a member of the Brotherhood of St. Andrew. Mr. Barnes is a director of the Jamaica Cricket Association and he is the immediate past president of Domtar Sports Club.



## INDEPENDENT NON-EXECUTIVE DIRECTORS

**HARRY CAMPBELL**  
- DIRECTOR

Mr. Harry Campbell is the Chief Technology Officer of Cornerstone Trust & Merchant Bank ("CTMB") with responsibility for providing innovative and strategic guidance to CTMB, Cornerstone United Holdings Jamaica Limited and Barita Investments Limited as well as managing CTMB's IT staff complement, upgrading technology infrastructure, core banking platform, digital front-end and other financial systems as well as managing the technology transformation budget. He is also a technology and automation consultant with West Indies Petroleum Limited, serving as the project lead on all technology infrastructure and systems implementations, upgrade and maintenance.





**BELINDA WILLIAMS**  
- DIRECTOR

With over twenty-eight years of commercial bank marketing experience honed at National Commercial Bank Jamaica Limited (“**NCB**”), Mrs. Belinda Williams served as appointed manager in several leadership positions, the last being responsible for strategic direction of the Corporate Brand across the NCB Group as well as communications and corporate social responsibility and was integral in the formation and management of the NCB Foundation. In May 2017, Mrs. Williams joined the PROVEN Wealth and PROVEN Fund Managers companies with responsibility to manage the reputation, image and goodwill of the two brands through the various stakeholder relationships aided by the execution of key strategic business initiatives. She was promoted in 2019 to Head of Marketing & Communications of the PROVEN Management Limited with oversight responsibilities for the companies that the business has acquired.



**GLORIA DECLOU**  
- DIRECTOR

Ms. Gloria Declou is an Attorney-at-Law having been admitted to the bar in Trinidad, Dominica, Guyana & Jamaica. She is the Managing Director of Declou & Co. and has a wealth of experience in civil law, criminal law, commercial law, banking law, public law, entertainment law and conveyancing. Ms. Declou is also the legal advisor to the All-Island Jamaica Cane Farmers’ Association on all legal matters with special focus in Employment Law and Labour Law.



**VERNON JAMES**  
– DIRECTOR

Mr. Vernon James is a general manager in the Office of the CEO of the NCB Financial Group (the “**NCB Group**”) with responsibility for a strategic project being undertaken by the NCB Group. Prior to this, he had overall responsibility for the strategic leadership of NCB Insurance Company Limited. Mr. James holds a Master of Science Degree in Financial Mathematics from the Warwick University in England and a Bachelor’s Degree in Mathematics from the University of the West Indies.



**EATON PARKINS**  
– DIRECTOR

Mr. Eaton Parkins is a Certified Public Accountant. He has a BSc in Accounting from City University of New York and an MBA from the University of South Florida, Tampa. Mr. Parkins is a financial services professional with extensive experience in management consulting, regulatory reporting, financial and cash management, corporate finance, operations, cost analysis, auditing, internal controls, marketing and pricing strategy and new business development. Mr. Parkins started his career at Price Waterhouse, Chartered Accountants, Kingston, Jamaica. He migrated to the United States in 1987 and has held senior management positions at several financial institutions.

## 10.2 CORPORATE GOVERNANCE & ACCOUNTABILITY

The Board of Directors has established an Audit Committee and a Remuneration Committee, each of which is required to be established by the Junior Market Rules, along with the Corporate Governance Committee. The members of the Audit Committee include a majority of independent Directors, and are as follows:

AUDIT COMMITTEE	REMUNERATION COMMITTEE	CORPORATE GOVERNANCE COMMITTEE
ERROL MCGAW GLORIA DECLOU EATON PARKINS VERNON JAMES HUGH COORE TREVOR BARNES HARRY CAMPBELL	LYDEN D. "TREVOR" HEAVEN GLORIA DECLOU EATON PARKINS VERNON JAMES HUGH COORE ERROL MCGAW BELINDA WILLIAMS	LYDEN D. "TREVOR" HEAVEN GLORIA DECLOU EATON PARKINS VERNON JAMES HUGH COORE JUNIOR WILLIAMS HARRY CAMPBELL

The Company's mentor is Mr. Lissant Mitchell for the purposes of the JSE Junior Market Rules.

### AUDIT COMMITTEE KEY ROLES & RESPONSIBILITIES

The Audit Committee assists in fulfilling the Board's mandate for reviewing and recommending for approval the audited financial statements of the Company as well as the following functions:

- Review of the Company's annual and quarterly financial statements and make recommendations to the Board of Directors for approval;
- Monitoring of the integrity of the Company's accounting and financial reporting processes and systems of internal controls over financial reporting, including review with management, independent auditors, and internal auditors;

- Oversight of the Company's development of financial management policies and strategies and cost management programme;
- Review of annual budgets and management's financial plans;
- Review of the Company's material contracts, especially relating to borrowing, raising capital and investments;
- Review of recommendations on revenue growth opportunities and strategies for expense reduction and business process improvement;
- Assisting the Board of Directors in its formulation of the Company's policies for risk management; and
- Oversight of the Company's compliance with legal and regulatory requirements.

The audit committee is chaired by Eaton Parkins.

### REMUNERATION COMMITTEE KEY ROLES & RESPONSIBILITIES

The Remuneration Committee primarily assists the Board of Directors in fulfilling the Board's mandate for proper corporate governance and has oversight relating to:

- establishing, reviewing and approving salaries, bonuses and other compensation for the Company's senior management; and
- reviewing and recommending to the Board of Directors the compensation of the directors.

The Remuneration Committee is chaired by Vernon James.

## CORPORATE GOVERNANCE COMMITTEE KEY ROLES & RESPONSIBILITIES

The Corporate Governance Committee primarily assists the Board of Directors in the following functions, among others:

- Recommending and reviewing remuneration of executive management and Directors;
- Developing, recommending and reviewing corporate governance principles, applicable to the Board of Directors and management;
- Oversight of the Board of Directors committees' structure and effectiveness; and

Recommendation for appointments to Board of Directors and suitability of alternate Directors.

The Corporate Governance Committee is chaired by Gloria Declou.

Each non-executive Director of the Company will be paid a fee for his/her attendance at Board meetings. Directors who are also members of committees of the Board will be paid an additional fee. All fees are exclusive of reasonable expenses incurred in attending meetings of the Board, committees, and the annual general meetings for the Company.

### 10.3 SENIOR MANAGEMENT TEAM

The Senior Management Team comprises of:

#### **JEREMY BARNES**

**CHIEF EXECUTIVE OFFICER** (profile set out above);

#### **OMAR MORGAN**

##### **OPERATIONS & SAFETY AND COMPLIANCE MANAGER**

Mr. Morgan is an Electronic and Computer Engineer with a Master's Degree in Digital Communications Systems from Loughborough University in England. Mr. Morgan was born and raised in Jamaica, but has also lived, studied and worked in Europe and the United States of America ("USA"). Prior to joining the Company and upon his return to Jamaica after completing his studies in England, Mr. Morgan worked with General Tractor & Equipment Company Limited as a Technical Sales Engineer. He successfully led the company through the tendering process for Government contracts which resulted in a significant increase (100%) in sales for over 3 years. Mr. Morgan then went on to work with a local security firm as head of the electronic security division. Shortly after, he migrated to the USA and joined International Business Machines Corporation ("IBM") as a System Support Representative. In his first year at IBM, he received a Customer Service Award for having the best customer satisfaction numbers in his team. He was the project lead on numerous projects and was also the head agent for some of the major clients in the region.

#### **KAREN JONES**

##### **ADMINISTRATION SUPERVISOR**

Ms. Jones is an experienced professional assistant who has worked in the Petroleum Industry for sixteen (16) years. Her attention to detail makes her highly competent in administrative tasks and she is dedicated to providing the timely processing and distribution of accurate financial information. Her primary job functions include (1) providing managerial leadership to the dispatcher and accounting clerk, (2) completing several accounting and financial tasks, (3) conducting data entry and maintaining records, (4) composing monthly reports and meeting minutes, and (4) acting as a liaison between FESCO's customers and vendors. Ms. Jones is an ethical and innovative employee and prides herself on maintaining a high-quality working standard, developed through her extensive experience as an accounting clerk for several reputable organizations such as JGRA, Esso Standard Oil Limited and Jamaica Aluminium Company.

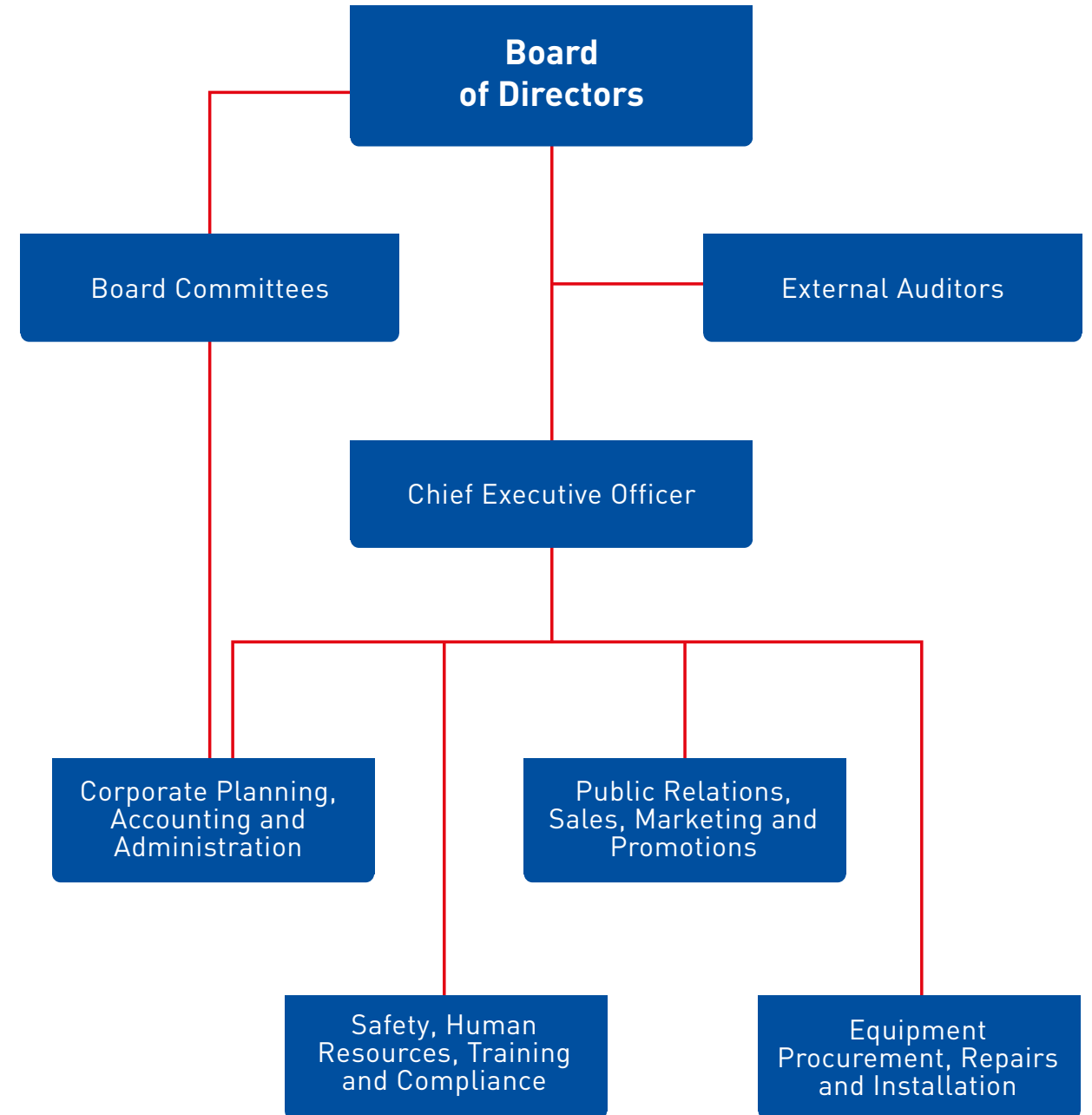


## 10.4 ORGANISATION STRUCTURE

### ORGANIZATIONAL CHART

FESCO has a relative flat and lean organisational structure that successfully allows it to plan and execute detailed and diverse tasks whilst allowing flexibility and adaptability in a changing environment. From planning to policy development and implementation, FESCO utilizes its Directors, executive management, managers and a cadre of contracted professionals to achieve its goals. FESCO utilises the following contracted professionals to complement its trained fulltime staff:

1. ATTORNEYS-AT-LAW
2. RISK & INSURANCE CONSULTANTS
3. PROJECT MANAGERS
4. PUBLIC RELATIONS PROFESSIONALS
5. MARKETING & ADVERTISING PROFESSIONALS
6. GRAPHIC ARTISTS
7. ENGINEERS (MECHANICAL, STRUCTURAL & ELECTRICAL)
8. ARCHITECTS
9. ACCOUNTING PROFESSIONALS
10. AUDITING PROFESSIONALS
11. REPAIRS & MAINTENANCE CONTRACTORS
12. SEALERS
13. CUSTOMER SATISFACTION & SAFETY TRAINERS



# 11

## MANAGEMENT DISCUSSION & ANALYSIS

11.1 HISTORICAL PERFORMANCE -  
5 YEAR PERFORMANCE

11.2 MANAGEMENT OUTLOOK - PROJECTIONS

11.3 ASSUMPTIONS

11.4 KEY FINANCIAL INFORMATION FOR  
PROJECTED PERIOD 2021-2025:

11.5 FINANCIAL COMMENTARY



The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“**MD&A**”) is prepared to enable Invitees and Applicants to assess the operations and financial performance of the Company for the financial year ended March 31, 2020 compared with prior years. It should be read in conjunction with the auditor provided projections and the accompanying notes presented at Section 11.5.

The financial information disclosed in this MD&A is consistent with the Company’s audited financial statements and related notes for the financial year ended March 31, 2020. Unless otherwise indicated, all amounts expressed are in Jamaican dollars and have been primarily derived from the Company’s financial statements which are prepared in accordance with IFRS. Amounts and percentages may not total owing to rounding.

This MD&A may contain forward-looking statements and Invitees should therefore refer to the Note on Forward-Looking Statements in Section 7.7 of this Prospectus when interpreting the information contained in this MD&A.

## 11.1 HISTORICAL PERFORMANCE – 5 YEAR PERFORMANCE

The following is a summary of the key financial data extracted from the audited financial statements of the Company for the years ended March 31, 2016 to 2020. A complete set of audited financial statements for the Company is set out at Appendix 3 of this Prospectus.

SUMMARY OF AUDITED ANNUAL STATEMENTS					
	April 2015 - March 2016	April 2016 - March 2017	April 2017 - March 2018	April 2018 - March 2019	April 2019 - March 2020
<b>Statement of Income Summary</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Turnover	3,754,099,608	4,115,233,824	4,610,895,083	5,434,246,867	5,936,346,825
Cost of goods sold	(3,725,913,612)	(4,089,070,607)	(4,538,638,076)	(5,348,995,804)	(5,758,006,328)
Gross profit	28,185,996	32,163,217	72,257,007	85,251,063	178,340,497
Selling, general & admin expenses (including impairment)	(11,365,185)	(13,718,204)	(28,665,902)	(40,303,353)	(43,355,502)
Operating profit	16,820,811	18,445,013	43,591,105	44,947,710	134,984,995
Finance (costs)/income	(1,007,458)	(633,174)	(1,033,277)	4,950,963	1,810,485
Other income			1,838,886	257,511	
Profit before taxation	15,813,353	17,811,839	44,396,714	50,156,184	136,795,480
Taxation	(3,659,678)	(4,161,704)	(11,826,534)	(10,443,509)	(32,023,808)
Net Profit	12,153,675	13,650,135	32,570,180	39,692,675	104,771,672
<b>Statement of Financial Position</b>					
Non Current Assets	3,508,646	20,413,535	30,114,287	137,190,890	148,255,045
Current Assets	59,461,912	103,015,003	240,341,172	249,408,821	325,462,376
Current Liabilities	45,361,009	46,823,136	121,488,951	181,757,783	210,350,746
Net Current Assets	14,100,903	56,191,867	118,852,221	67,651,038	115,270,630
Equity	17,531,521	31,181,656	63,751,836	100,690,971	205,462,643
Non Current Liabilities	78,028	45,423,746	85,214,672	104,150,957	58,063,032
<b>Ratios Statistics</b>					
Dividends	-	-	-	-	-
Net current assets/working capital	14,100,903	56,191,867	118,852,221	67,651,038	115,270,630
Current ratio	1.31	2.20	1.98	1.37	1.55
Invested capital	17,609,549	76,605,402	148,966,508	204,841,928	263,525,675
ROIC (before tax) - average		37.8%	39.4%	28.4%	58.4%
ROE (before tax) - average		73.1%	93.5%	61.0%	89.4%
Effective tax rate	23.1%	23.4%	26.6%	20.9%	23.4%
Book value of equity	17,531,521	31,181,656	63,751,836	100,690,971	205,462,643
Profit margin (before tax)	0.42%	0.43%	0.96%	0.92%	2.30%
Net profit margin	0.32%	0.33%	0.71%	0.73%	1.76%
Gross profit margin	0.75%	0.78%	1.57%	1.57%	3.00%
Year over year growth:					
Profit before tax		12.6%	149.3%	13.0%	172.7%
Book value of equity		77.9%	104.5%	57.9%	104.1%
Gross Profit		14.1%	124.7%	18%	109.2%

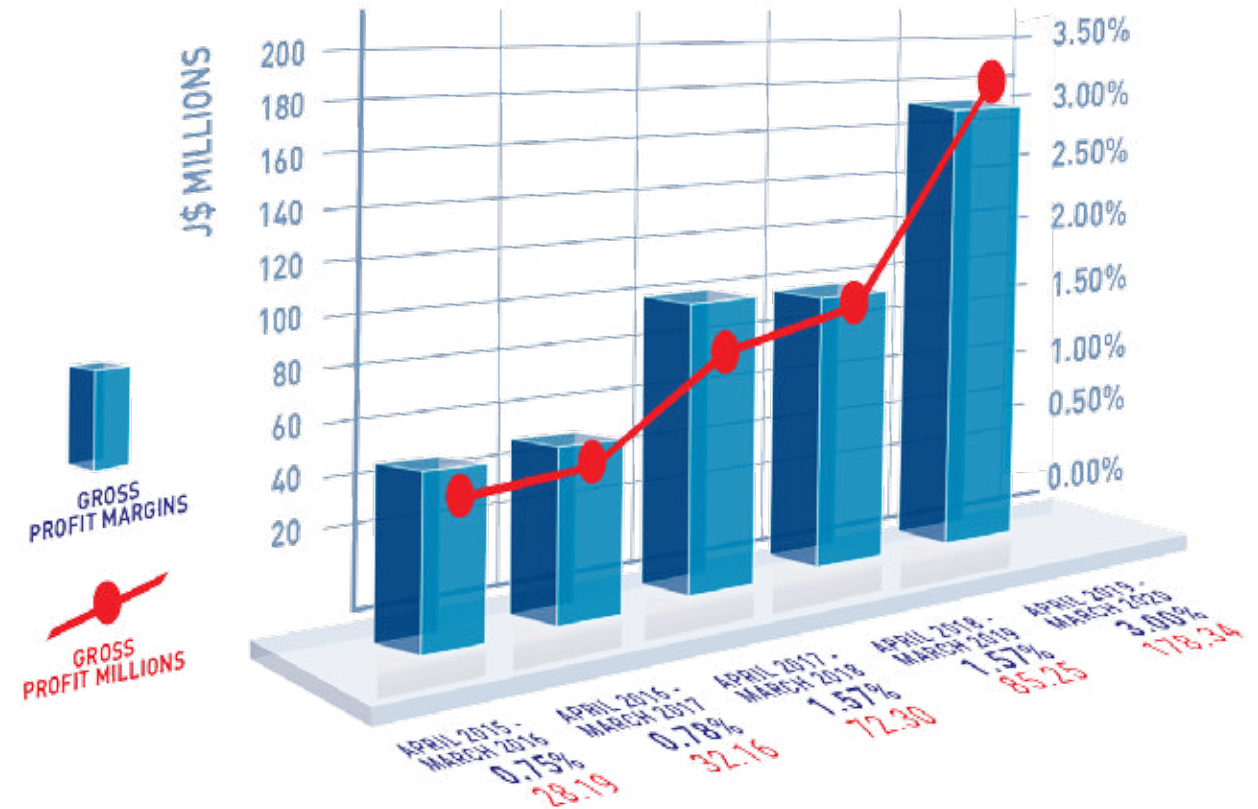
The historical audited financials for FESCO for the periods ended March 31, 2016 through to March 31, 2020 represents FESCO's operation as a wholesaler of:

- transportation fuels (E10 87, E10 90, ADO, and ULSD);
- non-transportation fuel (Asphalt, Kerosene, and Heavy Fuel Oil);
- Lubricants and chemicals; and
- Purified bottled water.

## REVENUES

Revenues or turnover over this period has increased from \$3,754M (2016) to \$5,936M (2020) which represents a CAGR of 12.1%. Over the years FESCO has been able to grow its revenue by expanding sales at its locations, expanding its distribution network by adding dealer owned FESCO branded locations and increasing its supply to commercial/industrial private supply firms. However, owing to significant fluctuations of world fuel prices, and the majority of the price of fuel being largely out of the control of FESCO, FESCO instead focuses its attention on gross profits, a factor that is within its control<sup>23</sup>.

## GROSS PROFIT & GROSS MARGINS



Gross profits over the period have increased from \$28.2M to \$178.3M which represents a CAGR of 58.6%. FESCO has been able to increase its gross profits margin to its dealers as its brands become more recognized and demanded by customers (0.75% in 2016 to 3.0% in 2020).

<sup>23</sup> Our sales of chemicals and purified drinking water currently represents less than 1% of revenue and less than 2% of gross profits as at March 2020.



**TABLE 6: FESCO'S TURNOVER, GROSS PROFIT AND GROSS PROFIT MARGIN FOR THE PERIOD 2015 - 2020**

FESCO Turnover, Gross Profit & Gross Profit Margin	April 2015 - March 2016	April 2016 - March 2017	April 2017 - March 2018	April 2018 - March 2019	April 2019 - March 2020
Turnover	3,754,099,608	4,115,233,824	4,610,895,083	5,434,246,867	5,936,346,825
Gross profit	28,185,996	32,163,217	72,257,007	85,251,063	178,340,497
Gross profit margin	0.75%	0.78%	1.57%	1.57%	3.00%

In addition to margin increases, FESCO has successfully sought to improve its volume of litres of fuels sold. From 2015 (financial year April 2014- March 2015) through to 2020 (financial year April 2019 - March 2020) its average monthly volumes have increased from 2,501.823 million litres to 3,743.016 million litres which is a CAGR of 8.4%. FESCO has been able to expand its dealer network

over the period and now has 14 dealer owned Service Stations as at November 2020, which has led to increased fuel sales in litres and growth in gross profits. As FESCO's market share and market presence increased, it has been able to improve its margins whilst increasing its volume of fuels sold.

**TABLE 7: FESCO'S AVERAGE MONTHLY FUELS SALES FOR THE PERIOD 2014 - 2020**

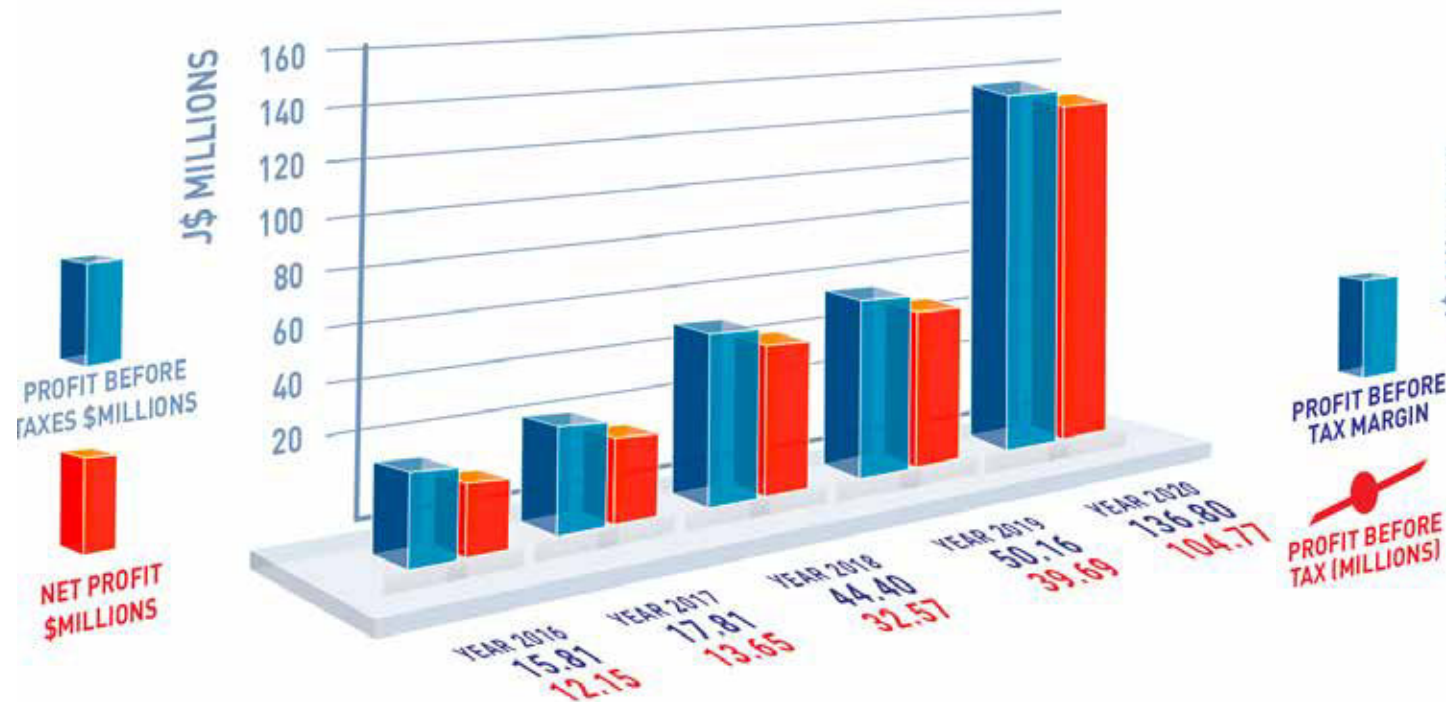
FESCO FUEL SALES VOLUME IN LITRES						
All Fuels (E10 87, E10 90, ADO, ULSD, HFO, Asphalt and Kerosene)						
Monthly Average	April 2014 - March 2015	April 2015 - March 2016	April 2016 - March 2017	April 2017- March 2018	April 2018- March 2019	April 2019- March 2020
	2,501,823	3,085,474	3,355,046	3,232,770	3,420,083	3,743,016
<b>CAGR</b>	<b>8.4%</b>					

Year over year (2020 vs 2019), gross profit increased by J\$87.6 million (up from J\$90.7 million in 2019 to J\$178.7 million in 2020). Over the period, FESCO has sought to contain its expenses by opting for a flat structure which utilizes the services of independent contractors and professionals. This efficient growth in

gross profits allowed for pre-tax profits to increase by J\$86.6 million (or 172%) to \$136.8M in 2020 up from \$50.2M in 2019.

## PROFIT BEFORE & AFTER TAXES

FESCO'S PROFIT BEFORE AND PROFIT AFTER TAXES  
(IN MILLIONS)

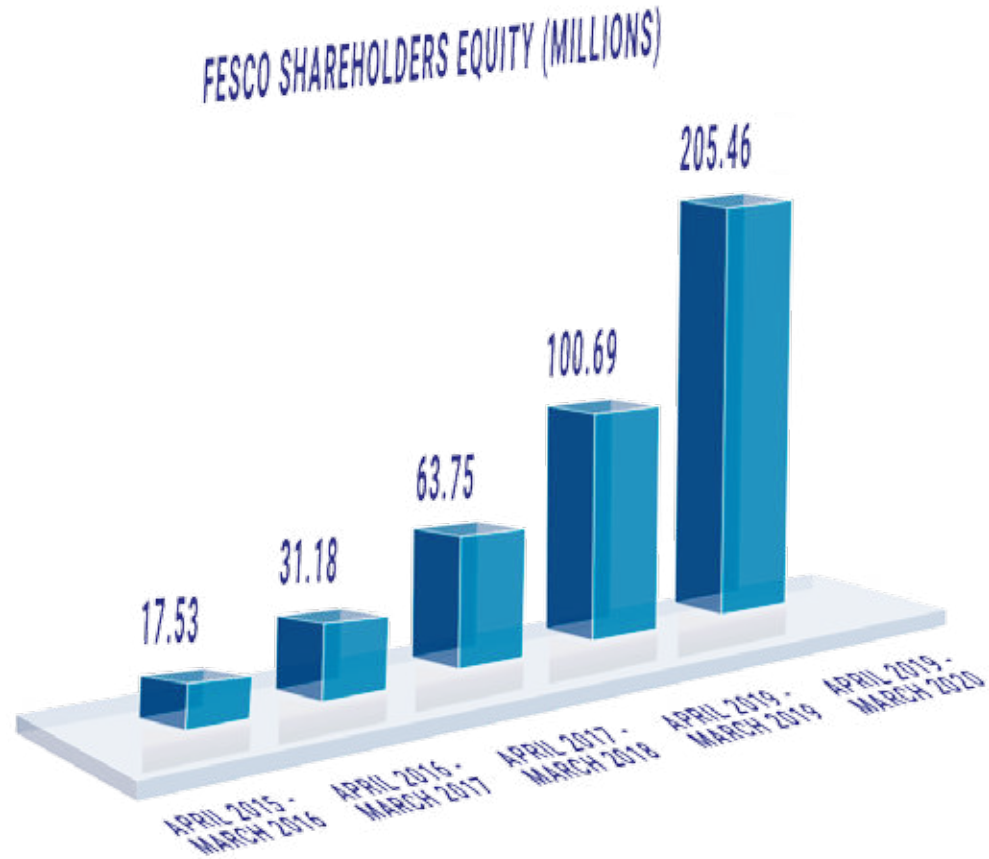


FESCO'S PROFIT BEFORE TAX & PROFIT BEFORE TAX MARGINS  
(IN MILLIONS)



Over the period FESCO's profits before and after tax grew from J\$15.8M to J\$136.8M and J\$12.2M to J\$104.8M, respectively, representing a CAGR of 71.5% and 71.3%. FESCO has been able to increase the Company's profit before tax margin from 0.42% to 2.3%, due to increased volume of fuel sold, improved gross profit margins and containment of Selling, General and Administrative (SG&A) expenses. Over the period 2015- 2020 the Company's effective tax rate ranged from a low of 20.9% in 2019 to a high of 26.6% in 2018.

## SHAREHOLDER EQUITY



FESCO has been able to increase its book value of equity from J\$17.5 million for the financial year ended March 31, 2016 to J\$205.5 million for the year ended March 31, 2020, which represents a CAGR of 85.0% over the period. This was achieved entirely via profit retention. FESCO paid no dividends for the period 2016 - 2020. As at March 2020, FESCO's book value of equity stood at J\$205.5 million, and long-term debt at J\$58 million.

## LIQUIDITY RATIOS



FESCO's liquidity has remained strong over the years as evidenced by its number of days payables outstanding ranging from just 4-10 days, combined with a net current assets position ranging from J\$14.1 million in 2016 to J\$115.27 million as at March 2020. FESCO's current ratio has consistently been 1.3 or better and stands at 1.55 as at March 2020.



## INVENTORY

In order to quickly execute new storage and dispensing facilities at dealers and/or private supply client sites, as well as to ensure timely repairs and minimize downtime for its dealers, FESCO carries inventory of fuel storage tanks, pumps and gas station related equipment. Our inventory for March 2020 was \$13,596,947 compared to \$8,412,209 in March 2019, which reflects an increase of \$5,174,738.

## VALUE OF THE ASSETS IN THE INVENTORIES AND WHY WERE THE TRANSFERS DONE OVER THE YEARS

Inventory items valued at cost totalling \$8,835,435; (2019 - \$10,648,566) representing pumps, equipment as signage and associated accumulated depreciation of \$19,456; (2019 – \$2,226,357) were incorrectly classified under Property, Plant and Equipment (Notes 6).

The book value of these inventory items have been charged to cost of goods sold in the Statements of Comprehensive Income. During the financial period ended March 2020, inventory items totalling \$7,623,437 representing pumps and other equipment were incorrectly classified under property, plant and equipment. The net amounts have been written-off to cost of goods sold in the Statements of Comprehensive Income.

## RELATED PARTY RECEIVABLES

FESCO trades with companies (dealers) which are owned and operated by the Directors/Shareholders of the Company. Related party receivables as at March 2020 of \$40,930,081 are not loans to the Directors but instead trade receivables. These amounts are treated as normal trade receivables which are given the average credit period of seven (7) days to settle their balances. These trade receivables are subject to the Company's credit policy and in particular where these terms are exhausted or violated, then further supply of fuel will be suspended until settled.



## FIRE INCIDENT ON FEBRUARY 21, 2020 - HEAVEN'S MANDEVILLE SERVICE STATION

For the first time in FESCO's history, there was a fire at one of the DODO Service Stations on February 21, 2020, - Heaven's Mandeville Service Station. All FESCO branded Service Stations are currently owned and operated by dealers and as such, it is the individual corporate responsibility of these DODO Service Stations to observe FESCO's standards and protocols, including risk management.

Notwithstanding, FESCO was quick to respond in providing much needed assistance to Heaven's Service Station in line with its disaster response management as well as making available its competencies in equipment sourcing & logistics, procurement and installation. It is our belief that the FESCO Heaven's Service Station has handled the consequences of the incident responsibly and with compassion. It has also satisfied the respective regulatory agencies' certification and licence requirements and was reopened for full operation in March 2020. The station continues to be well patronized by the community of Mandeville.



## MANAGEMENT ACCOUNTS FOR THE NINE (9) MONTH PERIOD APRIL TO DECEMBER FOR 2019 AND 2020

Statement of Income Summary	April 2019 - December 2019	April 2020 - December 2020	Growth/ Decline
Turnover/Income	4,577,295,397	4,347,243,361	-5.0%
Cost of Goods Sold (COGS)	(4,439,549,701)	(4,205,319,494)	-5.3%
Gross Profit	137,745,696	141,923,867	3.0%
Selling, General & Admin Expenses (SG&A)	(44,985,947)	(58,722,538)	30.5%
Operating Profit/(Loss)	92,759,749	83,201,329	
Finance (Costs)/Income	2,638,350	9,031,579	
Profit Before Taxation	95,398,099	92,232,908	-3.3%
Taxation	(21,941,562)	(21,305,802)	
Net Profit	73,456,537	70,927,106	-3.4%
<b>Statement of Financial Position</b>			
Non Current Assets	149,974,510	247,498,148	65.0%
Current Assets	366,148,976	285,418,354	-22.0%
Current Liabilities	287,767,591	207,327,336	-28.0%
Net Current Assets	78,381,385	78,091,018	-0.4%
Shareholders' Equity	174,032,785	281,190,849	61.6%
Non Current Liabilities	54,323,110	44,398,317	-18.3%
<b>Ratios Statistics</b>			
Net Current Assets/Working Capital	78,381,385	78,091,018	-0.4%
Current Ratio	1.27	1.38	

The COVID-19 global pandemic and the necessary national response to contain the spread has negatively impacted FESCO's operations. FESCO's Service Stations have had to lessen their overall opening hours, close entirely during lockdowns, and its construction projects have been delayed and/or prolonged due to worker unavailability and supply chain delays all due to a combination of curfews and lockdowns imposed by the Government to stem the spread of COVID-19.

As a direct result of the effects of COVID-19, FESCO's turnover, gross profit and net profit for the period April 2020 - December 2020 were negatively affected. The months of April and May were the most difficult for its business as the national lockdowns in St. Catherine restricted and disrupted significantly the operations of FESCO's dealers' Service Stations. However, since June FESCO has been able to substantially increase its distribution of fuels which has allowed for:

- Turnover decline being limited to 5.0%
- Gross profit growth of 3.0%
- Profit before taxation decline of only 3.3% (or \$3.165 million when compared to the same period for 2019).

	April 2019 - Dec 2019	April 2019 - Dec 2020	Growth/ Decline
All Fuels - Litres	33,801,918	36,924,115	9.2%
Transportation Fuel Only (E10- 87, E10-90, ADO and ULSD only) - Litres	32,624,451	35,794,595	9.7%

Sales in litres have significantly outstripped the 2019 performance. FESCO's April through December 2020 sales in litres of all fuels were up 9.2% and 9.7% respectively above the outturn for the same period in 2019 despite the impact of COVID-19. This is in part due to the following factors:

1. New Service Stations openings (new locations vs 2019);
2. Improved demand for fuels by some Service Stations which is in part due to increased demand by customers for more convenient Service Stations that offer a wide variety of services as tight curfew hours has meant that customers have less time on their hands. Many of FESCO branded Service Stations are multi-services Service Stations that are equipped to serve not only gas, but food as well as offering automated banking services; and
3. Increased supply to existing private clients who use fuel in their daily operations as well as the acquisitions of new private clients.

Revenues or turnover over the period April 2020 to December 2020 was \$4,347 million down by 5.0% from the comparative period ending December 2019. This represents a decline of \$230 million from the 2019 turnover of \$4,577 million. Again, several factors affect revenue/turnover with the supply price of fuel being a major component. FESCO has no control over the supply price of fuel and, instead, focuses more on quantity of fuel sold and gross profits.

Gross profits over the nine month period ending December 2020 are up \$4.2 million or 3.0% from the comparative period ending December 2019. Gross profit increased, in the main, due to increased fuel sales (measured in litres) which allowed for increased gross profits (measured in dollars). Selling, general and administrative expenses over the period were \$58.7 million, up \$13.7 million or 30.5% versus 2019. This expansion in expenses was due in the main to increased professional expenses as it relates to the Invitation and professional costs in respect of the construction of the head office and first COCO Service Station at Beechwood Avenue.

Finance income for the period was \$9.0 million, up by approximately \$6.4 million when compared to the comparative nine (9) month period ending December 2019. Increases in gross profit and finance income could only partially offset the expansion of expenses and as a result profit before taxes slipped \$3.165 million or 3.3% to \$92.232 million. Profit before taxes for the period ended December 2020 was \$92.232 million compared to \$95.398 million in 2019.

Since FESCO's financial year-end in March 2020, the Company's CAPEX in and construction of its COCO Service Station has commenced. The Company has acquired equipment including but not limited to storage tanks, dispensers and canopies, which has resulted in an expansion of its non-current assets and a reduction in its net current assets or working capital. Net plant property and equipment increased by \$98 million versus December 2019. Net current assets have remained relatively stable at \$78.091 million as at December 2020 versus \$78.381 million as at December 2019. FESCO's current ratio remains strong at 1.38.

In the main, the Company utilises USD denominated repurchase agreements with its bankers for its excess cash. USD currency is preferred to JMD because fuel equipment, needed from time to time as the business grows, is priced internationally in USD. Accordingly, the company holds USD in order to hedge this equipment procurement exposure. The Company has no USD liabilities at this time. The Company also utilises JMD overdraft facilities to deal with temporary payment imbalances. Generally, the Company does not carry an overdraft for more than two (2) to three (3) days.

The Company has secured \$250 million in debt financing for the construction of its head office and COCO Service Station at Beechwood Avenue, but has not yet executed the agreement.

Equity or the Book Value of the Company increased to \$281.19 million up from \$174.03 million as at December 2019. Equity increased due in main part to retained earnings increases and \$4.8 million in allotment of new Ordinary Shares.

## **DISCLOSURE OF REASONS FOR UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD APRIL-DECEMBER 2020**

The Company has prepared its unaudited financial statements for the period April to December 2020. These unaudited financials have been reviewed by the Auditor who has prepared a review report concluding that they give a true and fair review of the Company's financial position for that period, in accordance with International Accounting Reporting Standards. The unaudited financial statements along with the Auditor's review report are set out in Appendix 4 of the Prospectus.

For the avoidance of doubt, the review report prepared by the Auditor should not be considered as an audit of the financial statements. It was the intention of the Company to publish the Prospectus in December 2020 however, there have been unforeseen delays in the publication of the Prospectus during which time the April to December 2020 unaudited financials became due.

The Company therefore deemed it prudent for the Auditor to review these unaudited financial statements for that period to assure Applicants and Invitees of the validity and reliability of the unaudited financials of the Company, pending the completion of the audit by the Auditor.

## 11.2 MANAGEMENT OUTLOOK - PROJECTIONS

FESCO's revenues are significantly determined by the price of fuel as posted in the ex-refinery prices quoted and revised weekly by Petrojam (refer <https://www.petrojam.com/price-index>). Petrojam's product prices are in large part 1) referenced to Gulf prices of crude oil and gasoline; 2) impacted by the FX rate for \$USD and; 3) taxes imposed by the government of Jamaica (SCT and AD Valorem SCT). Accordingly, FESCO's management has been more focused on profit margin both in absolute dollar terms and as a percentage of revenues rather than on revenue because the overall price of fuel is in large part not within the control of the Company.

FESCO's gross profit margin of 3.0% for the financial year ended of March 2020 has expanded to four times (4x) the size of its gross profit margin of 0.75% in 2016. Up to 2016, FESCO focused mainly on the price at which it distributes fuels to gain market share. However, FESCO's brand has evolved and grown significantly since then and we are better able to achieve improved margins through brand differentiation.

Going forward, FESCO expects increases in gross profit margins as a distributor to be smaller. However, FESCO expects its overall margins to increase significantly as it i) rolls out FESCO's COCO business line; ii) enters into the LPG and LNG market space; and iii) increases its sales of its lubricants and other FESCO branded merchandise.

In addition to the expected growth from our brand becoming more recognisable which could allow us to increase our market share. FESCO will continue to employ the following strategic initiatives to further enable growth:

**A) INCREASE MARKET SHARE/VALUE CREATION** – Customers want value. Dealers want value. FESCO has, and must create value in order to retain, expand and grow. FESCO believes that its use of: 1) technology and 2) its dealers expanding on the destination concept for their Service Station offerings, and 3) targeted sponsorship of events both local to the communities

where FESCO operates and nationally, accrues to benefit its profit drivers (volume and margin). FESCO's programmes and activities have allowed us to create value and differentiate its offering. FESCO's dealers and commercial customers benefit from FESCO's vast experience in sourcing the requisite technology (i.e., tank and pump management technology) that allows them to be their most efficient and productive, by reducing the number of employees needed to operate a service station. FESCO's sponsorship activities include local chess tournaments, community football leagues, table tennis leagues, community beautification programmes, concerts, and of course national leagues such as the Red Stripe Premier League (football) and the Jamaica Tallawahs (cricket).

**B) NEW STATION DEVELOPMENT** - FESCO will continue to seek COCO opportunities that can enable the Company to broaden its scope of operation and enhance its positioning in the marketplace.

**C) ACQUISITION GROWTH AND/OR STATION REBRANDS** – FESCO expects to also continue to attract and satisfy the needs of independent Service Station owners that seek a responsive and capable fuel marketer/supplier. Accordingly, FESCO's management will continue to look for strategic acquisition or partnership opportunities and/or station rebrands locally that can enable it to broaden its scope of operation and enhance its positioning in the marketplace.

**D) NEW MARKETS, NEW PRODUCTS** – FESCO will identify new energy markets and new product offerings to satisfy participants in those markets including, but not limited to the LNG for transportation.

**E) TECHNOLOGY ENHANCEMENTS AND PARTNERSHIPS** – FESCO will also leverage its relationships with equipment and technology providers to improve efficiencies and experience of its DODO Service Stations and their customers.

**The FESCO Fleet Card** – FESCO will introduce its FLEET™, personalized card that will enable better management of fleets by commercial customers by



enabling holders to more accurately track expenses, reduce risk of incorrect fuel being used, among other things at FESCO's Beechwood Avenue Service Station.

### 11.3 ASSUMPTIONS

The detailed assumptions used for deriving the projections are provided in the Notes to the Projected Financial Statements. Other general assumptions include:

1. Single digit increases in inflation annually;
2. No changes in General Consumption Tax (GCT) rate in the five-year period;
3. No impairment of goodwill;
4. No additional Ordinary Shares will be issued by the Company during the projected period;
5. The exchange rate for the Jamaican dollar in relation to the US dollar will track Jamaican inflation vs US inflation; and
6. There will be no significant changes in the operating environment, both in Jamaica and the United States, that may materially affect the operations of the Company.

### 11.4 KEY FINANCIAL INFORMATION FOR PROJECTED PERIOD 2021-2025:

5 YEAR STATISTICAL FORECAST					
SUMMARY OF PROFORMA FORECASTED ANNUAL STATEMENTS					
	April 2020 - March 2021	April 2021- March 2022	April 2022 - March 2023	April 2023 - March 2024	April 2024 - March 2025
<b>Statement of Income Summary</b>	\$	\$	\$	\$	\$
Turnover	6,870,697,443	10,573,719,863	11,455,516,779	12,035,124,788	12,599,052,428
Cost of goods sold	[6,648,843,242]	[10,129,829,802]	[10,858,668,886]	[11,398,094,260]	[11,928,143,256]
Gross profit	221,854,201	443,890,061	596,847,893	637,030,528	670,909,172
Selling, general & admin expenses	[81,207,888]	[184,865,933]	[234,068,291]	[236,457,069]	[244,480,697]
Operating profit	140,646,313	259,024,128	362,779,602	400,573,459	426,428,475
Finance (costs)/income	10,665,935	4,882,049	[822,343]	1,468,659	3,222,794
Profit before taxation	151,312,248	263,906,177	361,957,259	402,042,118	429,651,269
Taxation	[18,914,031]	-	-	-	-
Net profit	132,398,217	263,906,177	361,957,259	402,042,118	429,651,269
<b>Statement of Financial Position</b>					
Non Current Assets	476,390,208	766,316,668	704,100,142	661,202,789	608,487,499
Current assets	517,387,455	465,845,778	776,800,237	1,088,589,964	1,454,352,915
Current liabilities	224,688,990	326,382,655	356,649,220	350,268,407	368,975,195
Net Current Assets	292,698,465	139,472,123	420,151,017	738,321,558	1,085,377,718
Shareholders' Equity	544,832,798	718,249,661	972,794,102	1,274,325,691	1,596,564,142
Non Current Liabilities	224,255,873	187,539,128	151,457,056	125,198,653	97,301,073
<b>Ratios Statistics</b>					
Dividends	-	[37,828,062]	[90,489,315]	[107,412,817]	[100,510,530]
Dividend payout ratio (cents)		0.14	0.25	0.27	0.23
Net current assets/working capital	292,698,465	139,472,123	420,151,017	738,321,558	1,085,377,718
Current ratio	2.30	1.43	2.18	3.11	3.94
Invested capital	769,088,673	905,788,791	1,124,251,159	1,399,524,346	1,693,865,217
ROIC (before tax) - average	29.3%	31.5%	35.7%	31.9%	27.8%
ROE (before tax) - average	40.3%	41.8%	42.8%	35.8%	29.9%
Effective tax rate	12.5%	0.0%	0.0%	0.0%	0.0%
Book value of equity	544,832,798	718,249,661	972,794,102	1,274,325,691	1,596,564,142
Profit margin (before tax)	2.20%	2.50%	3.16%	3.34%	3.41%
Gross profit margin	3.23%	4.20%	5.21%	5.29%	5.33%
Net profit margin	1.92%	2.50%	3.16%	3.34%	3.41%
<b>Year over year growth:</b>					
Profit before tax	10.6%	74.4%	37.2%	11.1%	6.9%
Book Value of Equity	165.2%	31.8%	35.4%	31.0%	25.3%

## 11.5 FINANCIAL COMMENTARY

The projected financial results for FESCO are based on management's opinion of the market and the targeted growth strategies for the next five (5) years, as outlined in Section 11.2 above. These projections entail FESCO's existing business of wholesaling fuels, its COCO retail operations and its entry into the LPG/cooking gas market. It should be noted that the projections for 2021 do not include either the operation of FESCO's COCO or its LPG/cooking gas businesses. FESCO's COCO operations are reflected in financial year 2022 and LPG financial year 2023.

### Revenues

FESCO's revenues are significantly determined by the price of fuel as posted in the ex-refinery prices which is in large part not within the control of the Company. Accordingly, FESCO's commentary begins with gross profit. FESCO's gross profits are anticipated to grow significantly over the next few years due to margin adjustments, new station openings, our retail operation and new products. Gross profit is expected to increase by 24% to \$221.8M in 2021 from \$178.3M in 2020 and to \$670.9M by 2025. The increase in gross profit to \$670.9M in 2025 from \$221.8M in 2021, represents a CAGR of 31.9%. FESCO believes it can achieve this level of growth by:

1. Continuing to expand our dealer owned network;
2. Earning retail and distributor margins at its COCO location; and
3. Successfully executing our LPG plan.

### Profit Before and After Taxes

The pre-tax profit is expected to increase by a CAGR of 29.8% during the projected period, moving from J\$151.31 million in 2021 to J\$429.65 million by 2025. This is primarily due to the projected growth in revenues of 16.4% (CAGR) and expansion of gross profit margins to 5.33% during the period, as FESCO executes its strategies as expressed in Section 11.2 above. FESCO will be well positioned to execute on one of its strategic plans for expansion in the local market as it seeks to take advantage among independent owners of Service Stations with their fuel distributors. Over the period 2021- 2025 FESCO's anticipated effective tax rate ranges from 0.0% to 12.5%.

The reducing operating expense ratio is due to FESCO's management strategy of streamlining the current operations to maximize shareholder value by re-examining current processes and restructuring them primarily through the increased use of technology.

### Capital Expenditure (CAPEX)

CAPEX for the period is expected to be significant at approximately J\$750-850 million, as FESCO executes development and acquisition of its COCO Service Stations and cooking gas/ LPG assets.

Non-current assets are expected to grow significantly during the period from J\$148 million to J\$766 million in 2022, due primarily to the increase in fixed or non-current assets as it relates to the construction and equipping of its COCO Service Station and head office and its buildout and acquisition of LPG assets. FESCO's current ratio is expected to improve to 3.94x at the end of 2025 up from 1.55x in March 2020 with net current assets growing from J\$115 million in 2020 to J\$1,085 million in 2025, which indicates that FESCO will be able to meet its short-term obligations and be able to grow by executing on its long-term strategies.

### Shareholder Equity

Shareholders' equity will continue to grow as FESCO is projected to increase its net profit by approximately 34.2% CAGR during the period (2020-2025). Dividends to be paid to the Shareholders are projected to be a minimum of 25% of prior year's net profits, subject to the need for reinvestment in FESCO from time to time.

The Company intends, from the proceeds of this Invitation, to eliminate its debt to its Directors of approximately \$15M. This will positively impact FESCO's debt-to-equity ratios. Moreover, these projections do not contemplate any specific plans which would result in any increases in long-term liabilities during the projected period with the exception of the construction loan and mortgage for its COCO build out.

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Our sales of chemicals and purified drinking water currently represents less than 1% of revenue and less than 2% of gross profits as at March 2020.

# 12

## AUDITOR'S CONSENT

February 2021

The Board of Directors  
Future Energy Source Company Limited  
13 Paraiso Avenue  
Kingston 10

Dear Sirs,

**Re: Future Energy Source Company Limited – Prospectus 2020 Ordinary Share Invitation**

With respect to the Prospectus relating to the invitation for the sale of ordinary share units of Future Energy Source Company Limited, we hereby consent to the inclusion in the Prospectus of our report dated the October 5 & 23, 2020, December 2, 2020 and February 11, 2021 and to the references to our name in the form and context in which it is included in the Prospectus.

We confirm that we have not withdrawn such consent before delivery of a copy of the Prospectus for registration with the Registrar of Companies.

This letter should not be regarded as in any way updating the aforementioned report or representing that we performed any procedures subsequent to the date of such reports.

Yours faithfully,

*Baker Tilly*

# 13

## PROJECTED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME  
APRIL 1, 2021 TO MARCH 31, 2025

PROJECTED STATEMENT OF FINANCIAL POSITION  
APRIL 1, 2021 TO MARCH 31, 2025

PROJECTED STATEMENT OF EQUITY

PROJECTED STATEMENT OF CASH FLOWS



### 13. PROJECTED FINANCIAL STATEMENTS

Statement of Comprehensive Income April 1, 2021 to March 31, 2025

	Projected	Projected	Projected	Projected	Projected
	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$
<b>Turnover</b>	6,870,697,443	10,573,719,863	11,455,516,779	12,035,124,788	12,599,052,428
<b>Cost of Sales</b>	(6,648,843,242)	(10,129,829,802)	(10,858,668,886)	(11,398,094,260)	(11,928,143,256)
<b>Gross profit</b>	221,854,201	443,890,061	596,847,893	637,030,528	670,909,172
General and administrative	(81,377,579)	(181,842,041)	(233,348,215)	(235,983,761)	(244,020,193)
Impairment losses on financial assets	169,691	(3,023,892)	(720,076)	(473,308)	(460,504)
	(81,207,888)	(184,865,933)	(234,068,291)	(236,457,069)	(244,480,697)
<b>Profit before Interest and Taxation</b>	140,646,313	259,024,128	362,779,602	400,573,459	426,428,475
<b>Finance costs, net</b>					
Loan interest expense	(4,513,956)	(11,043,759)	(16,597,881)	(14,138,480)	(12,195,778)
Finance Income	15,179,891	15,925,808	15,775,538	15,607,139	15,418,572
	10,665,935	4,882,049	(822,343)	1,468,659	3,222,794
<b>Profit before Taxation</b>	151,312,248	263,906,177	361,957,259	402,042,118	429,651,269
<b>Taxation</b>	(18,914,031)	-	-	-	-
<b>Net profit, being total comprehensive income</b>	132,398,217	263,906,177	361,957,259	402,042,118	429,651,269

Projected Statement of Financial Position April 1, 2021 to March 31, 2025

**5 YEAR FINANCIAL PROJECTONS STATEMENT OF FINANCIAL POSITION**

5 YEAR FINANCIAL PROJECTONS						
STATEMENT OF FINANCIAL POSITION						
	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	
	2021	2022	2023	2024	2025	
	\$	\$	\$	\$	\$	
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant & equipment	461,183,093	755,798,654	698,561,603	659,124,551	608,487,499	
Right of use Assets	3,908,205	1,992,152	76,099	-	-	
Finance lease	11,298,909	8,525,861	5,462,439	2,078,237	-	
	476,390,207	766,316,667	704,100,141	661,202,788	608,487,499	
<b>CURRENT ASSETS</b>						
Inventories	13,500,000	24,245,890	25,753,579	27,061,187	28,189,276	
Trade receivables	126,156,182	194,149,159	210,340,256	220,982,718	231,337,265	
Due from related parties	40,930,081	40,930,081	40,930,081	40,930,081	40,930,081	
Taxation recoverable	188,898	188,898	188,898	188,898	188,898	
Current portion on finance lease	2,510,197	2,773,048	3,063,422	3,384,202	2,078,237	
Cash at bank and short term deposits	334,102,097	203,567,702	496,524,000	796,042,878	1,151,629,155	
	517,387,455	456,854,778	776,800,237	1,088,589,964	1,454,352,912	
<b>TOTAL ASSETS</b>	<b>993,777,662</b>	<b>1,232,171,445</b>	<b>1,480,900,378</b>	<b>1,749,792,752</b>	<b>2,062,840,411</b>	
<b>FINANCED BY</b>						
<b>Equity and Liabilities</b>						
Share capital	244,800,900	244,800,900	244,800,900	244,800,900	244,800,900	
Retained earnings	300,031,898	437,448,760	727,993,202	1,029,524,790	1,351,763,242	
	544,832,798	718,249,660	972,794,102	1,274,325,690	1,596,564,142	
<b>Non-Current Liabilities</b>						
Lease Liabilities	738,602	-	-	-	-	
Long term loans	222,840,244	186,862,100	150,780,028	124,521,625	96,624,045	
Due to related parties	-	-	-	-	-	
Deferred income taxes	677,029	677,029	677,029	677,029	677,029	
	224,255,875	187,539,129	151,457,057	125,198,654	97,301,074	
<b>Current Liabilities</b>						
Trade and other payables	132,417,948	199,176,595	213,154,330	223,499,475	233,664,798	
Current portion of long term loans	33,589,034	35,978,144	36,082,072	26,258,403	27,897,580	
Current portion of lease liabilities	1,939,914	738,601	-	-	-	
Dividends payable	37,828,062	90,489,315	107,412,817	100,510,530	107,412,817	
Taxation	18,914,031	-	-	-	-	
	224,688,989	326,382,656	356,649,219	350,628,408	368,975,195	
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>993,777,662</b>	<b>1,232,171,445</b>	<b>1,480,900,378</b>	<b>1,749,792,752</b>	<b>2,062,840,411</b>	

Projected Statement of Equity

**5 YEAR FINANCIAL PROJECTONS STATEMENT OF CHANGES IN EQUITY**

5 YEAR FINANCIAL PROJECTONS					
Statement of Changes in Equity					
	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$
<b>Share Capital</b>					
Balance at beginning	900	244,800,900	244,800,900	244,800,900	244,800,900
Equity injection	244,800,000	-	-	-	-
Balance at end	244,800,900	244,800,900	244,800,900	244,800,900	244,800,900
<b>Retained Earnings</b>					
Balance at beginning	205,461,743	300,031,898	473,448,760	727,993,202	1,029,524,790
Net profit for the period	132,398,217	263,906,177	361,957,259	402,042,118	429,651,269
Dividend proposed	[37,828,062]	[90,489,315]	[107,412,817]	[100,510,530]	[107,412,817]
Balance at end	300,031,898	437,448,760	727,993,202	1,029,524,790	1,351,763,242

Projected Statement of Cash Flows

**FUTURE ENERGY SOURCE COMPANY LIMITED  
FINANCIAL PROJECTIONS  
STATEMENT OF CASH FLOWS**

	2021	2022	2023	2024	2025
<b>Operating Activities:</b>					
Profit Before Taxes:	151,312,248	263,906,177	361,957,259	402,042,118	429,651,269
Add Depreciation and amortization	13,771,798	48,150,492	60,153,105	60,513,151	61,637,052
	-	-	-	-	-
	165,084,046	312,056,669	422,110,363	462,555,269	491,288,321
Changes in due to related parties	(18,053,450)				
Changes in account receivables	(3,815,546)	67,992,977	16,191,097	10,642,462	10,354,547
Changes in inventories	(96,947)	10,745,890	1,507,690	1,307,607	1,128,089
Changes in account payables	(34,763,582)	66,758,647	13,977,735	10,345,145	10,165,323
Taxation	(28,962,086)	(18,914,031)	-	-	-
Net Change in Working Capital	(77,866,625)	(30,894,251)	(3,721,052)	(1,604,924)	(1,317,313)
	86,878,039	284,150,641	402,613,774	445,343,205	474,552,436
<b>Investing Activities</b>					
Capital expenditure	(344,417,157)	(340,850,000)	(1,000,000)	(21,000,000)	(11,000,000)
	(344,417,157)	(340,850,000)	(1,000,000)	(21,000,000)	(11,000,000)
<b>Financing Activities:</b>					
Pre IPO Equity	4,800,000				
IPO Equity	240,000,000	-	-	-	-
Finance lease receivables	2,272,262	2,510,197	2,773,048	3,063,422	3,384,202
Dividends paid		(37,828,062)	(90,489,315)	(107,412,817)	(100,510,530)
Long term loans - Cornerstone	230,000,000	-	-	-	-
Loan repayments - Cornerstone	(10,219,385)	(21,500,424)	(22,951,064)	(24,549,099)	(26,258,403)
Loan repayments - MF&G	(11,217,747)	(12,088,610)	(13,027,080)	(11,532,973)	
Lease payments	(2,994,757)	(1,939,914)	(738,602)		
	452,640,373	(70,846,813)	(124,433,013)	(140,431,467)	(123,384,731)
Cash & cash equivalents at beginning	138,661,460	334,102,097	203,567,702	496,524,000	796,042,878
Increase/(decrease) in cash flows	195,440,637	(130,534,395)	292,569,298	299,518,878	355,586,277
Cash & cash equivalents at the end	334,102,097	203,567,702	496,524,000	796,042,878	1,151,629,155

# 14

## RISK FACTORS

### 14.1 TRADING & OWNERSHIP RIGHTS OF ORDINARY SHARES

### 14.2 ECONOMIC & MARKET CONDITIONS RISKS

### 14.3 INDUSTRY-RELATED RISKS

### 14.4 MARKET RISK

### 14.5 PANDEMICS

### 14.6 CREDIT RISK

### 14.7 LIQUIDITY RISK

### 14.8 OPERATIONAL RISK

### 14.9 COVID-19 PANDEMIC

### 14.10 REVOCATION OF TAX CONCESSIONS

### 14.11 JUNIOR MARKET TAXATION

## 14. RISK FACTORS

The Company is faced with a number of risks in its normal business operations. Notwithstanding the Company's risk management framework, Invitees and Applicants should carefully consider all the information in this Prospectus, including the risk factors set out below, and are encouraged to take advice from a licensed stockbroker and/or other professional advisors before making an Application. The list of risk factors includes competitive pressure, regulatory and accounting changes and deterioration in economic outlook as well as operational risk. The listed factors should not be considered to be the entire risk universe to which the Company is exposed. The holders of the Ordinary Shares will also be subject to the inherent risks that arises before making an Application for such investments.

### 14.1 TRADING & OWNERSHIP RIGHTS OF ORDINARY SHARES

#### **There may be volatility in the stock price of the Ordinary Shares**

Neither the Company nor any of its advisors can predict the stock's trading behaviour after the Ordinary Shares are listed on the JSE (if accepted for listing). Stock markets experience, from time to time, significant price and volume fluctuations that can affect the market prices for the Ordinary Shares. Furthermore, the operating results and prospects of the Company may, from time to time, be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Ordinary Shares.

One of the factors that may influence the price of FESCO's Ordinary Shares is its annual dividend yield, as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of the Ordinary Shares, depending on the level of dividends declared from time to time.

Some of the other reasons for fluctuations in the prices of the Ordinary Shares include but are not limited to:

- announcements of developments related to the Company's business; and



- the Ordinary Shares may experience flat trading, very infrequent or insignificant volumes of trading, either of which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investor's confidence and other factors over which the Company has no control. In either case, the market price of the Ordinary Shares may be negatively affected or constrained from growing. Also, the Jamaican stock market is relatively small and the market in the Ordinary Shares is expected to be relatively thin compared with larger capital markets, trades in small quantities of the Company's Ordinary Shares can trigger wide swings (up or down) in the market price of the Ordinary Shares and make it easier for the stock price to be manipulated

**The Company may decide to issue additional shares at a later date.**

The Company may issue additional Ordinary Shares. Such shares, once issued, may rank pari passu with the existing Ordinary Shares in any class (including upon a winding up) and may be listed on the JSE or on any other stock exchange. Additional Ordinary Shares so issued could affect the market price of the ordinary shares in the respective class.

**Future sales or the possibility of future sales, including sales by existing Shareholders, of a substantial number of shares may affect the market price of the Ordinary Shares.**

The market price of FESCO's Ordinary Shares could decline as a result of sales of a large number of Ordinary Shares in the market or the perception that such sales could occur, or as a result of any sale of Ordinary Shares by any of the existing Shareholders from time to time.

## 14.2 ECONOMIC & MARKET CONDITIONS RISKS

**Low economic growth could dampen the Company's growth.**

Jamaica may experience low or marginal economic growth in the future.

## 14.3 INDUSTRY-RELATED RISKS

### A) REGULATORY RISKS

The Company's business is operated pursuant to licences issued by the Minister of Science, Energy, and Technology. Should any of the Company's CIDO's or DODO's licences not be renewed or terminated, this would have a

material adverse impact on the Company's operations and financial condition.

Regulatory and legal uncertainties could therefore, impact the Company adversely.

Changes in the existing regulatory regime in Jamaica may affect the operations of the Company and thereby affect the Company's profitability. In a July 30, 2020 article printed in one of Jamaica's newspapers<sup>24</sup>, it was reported that the existing petroleum legislation was being reviewed by the ministry with portfolio responsibility for energy, with a view to promulgating a new and all-encompassing Petroleum Act, in the future.

While it is acknowledged that there is a legislative risk, in that, there is uncertainty surrounding the new petroleum legislative provisions and whether they will have an adverse impact on the operations of the Company, it is reasonable to expect that the new legislation would be in line with the National Energy Policy 2009-2030. In relation to the petroleum sector, the National Energy Policy envisages a modern petroleum sector that is guided by the international best practices. Downstream activities, particularly the use of LNG in transportation and other applications constitute a significant objective of the National Energy Policy. Given the provisions of the National Energy Policy therefore, it is not foreseeable that the activities currently being carried on by the Company and those contemplated for the future by the Company would no longer be permissible. It is also reasonable to anticipate that all petroleum licences that are in existence at the time the new Petroleum Act is promulgated, would be saved or grandfathered by that legislation. In the final analysis, the real risk would be in respect of obtaining licences for contemplated activities pursuant to the new Petroleum Act, in the event that the criteria to be satisfied by applicants is more stringent than previously existed.

Another legislative risk factor is the non-compliance by the Company with existing, applicable laws, regulations and codes of conduct relevant to

<sup>24</sup> Source: The Gleaner article dated July 30, 2020

its businesses. This could be occasioned by inadequate controls within the Company or otherwise and could lead to the imposition of substantial monetary fines, public reprimands, reputational damage, increased regulatory compliance requirements or other regulatory restrictions on the Company's business. The potential for prosecution of the Company in certain circumstances, or, in extreme cases, the suspension or even revocation of existing licences are consequences of non-compliance. It should however be noted that in the event that any consequence of alleged non-compliance was being imposed, the legislative framework allows for appropriate representations to be made by the Company to show whether or not there was culpability.

#### **B) NEW REGULATORY RULES OR STANDARDS**

The Company may also become subject to new regulatory rules or standards that differ from those that are presently applicable. If such regulatory rules or standards become onerous from the point of view of the Company or its customers this could require the Company to change its business operations, and in any case, changes in such regulatory rules or standards may affect its long-term profitability.

Non-compliance by the Company with applicable laws, regulations and codes of conduct relevant to its businesses whether due to inadequate controls or otherwise, could lead to substantial monetary damages and/or fines, public reprimands, reputational damage, increased regulatory compliance requirements or other regulatory restrictions on the Company's business, the potential for prosecution in certain circumstances, or, in extreme cases, revocation of licences to operate and/or other severe penalties.

#### **C) NEW ACCOUNTING RULES OR STANDARDS**

New accounting rules or standards could be implemented and accounting estimates or assumptions used in the application of accounting standards could adversely affect the Company's financial results.

The Company may also become subject to new accounting rules or standards

that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position. Such changes could be applied retrospectively. In addition, the preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies, for example the calculation of expected credit losses and significant increases in credit risk for financial assets under IFRS or fair value of financial instruments where observable market prices are not available. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in an adverse impact on the Company's financial results.

#### **D) COMPETITION FROM NEW ENTRANTS OR EXISTING PARTICIPANTS**

Competition from new entrants or existing participants could also affect the Company adversely.

#### **14.4 MARKET RISK**

The Company's financial position may be adversely affected by changes in both the level and volatility of market factors such as interest rates and foreign exchange rates.

The Company is at risk from its earnings or capital being reduced due to changes in the level and/or volatility of interest rates, inflation rates, credit spreads, property prices, commodity prices, equity and bond prices and foreign exchange levels which can have a material adverse impact on positions in its banking, investments and trading books. These market risks could lead to significantly lower revenues, which could have an adverse impact on the Company's operations, financial condition and prospects.

#### **14.5 PANDEMICS**

The Company's financial position may be adversely affected by a prolonged pandemic which may impact the income and wealth of the general population.

The Company is at risk from its earnings or capital being reduced due to changes in the level of economic activity, and wages of the general population.

These market risks could lead to significantly lower revenues, which could have an adverse impact on the Company's operations, financial condition and prospects.

#### 14.6 CREDIT RISK

The Company may suffer financial loss if any of its clients or market counterparties fails to fulfil their contractual obligations to the Company or if there are changes in the credit profile of its investments.

The Company sells fuel to dealers on credit. Weak or deteriorating economic conditions in Jamaica could lead to generally weaker than expected economic growth, contracting Gross Domestic Product, reduced business confidence, higher levels of unemployment, rising inflation, potentially higher interest rates and falling property prices and, consequently, to an increase in delinquency rates and default rates among clients. This can result in a requirement to increase the Company's level of impairment allowance. Any material increase in impairment could have a material adverse effect on the Company's operations, financial condition and prospects.

#### 14.7 LIQUIDITY RISK

Failure to manage liquidity risk could impair the Company's ability to fund operations and could jeopardize its financial condition.

Should the Company fail to manage its liquidity and funding risk sufficiently, this may result in an inability to support normal business activity and/or a failure to meet regulatory requirements. Any material adverse change in market liquidity, availability and cost of customer deposits and/or wholesale funding, in each case whether due to factors specific to the Company or to the market generally, could adversely impact the Company's ability to maintain the levels of liquidity required to meet regulatory requirements and sustain normal business activity. In addition, there is a risk that the Company could face sudden, unexpected and large net cash outflows which could also result in forced reductions in

the Company's balance sheet in order to meet any obligations. Asset sales, balance sheet reductions and increased costs of funding could all adversely impact the operations, financial condition and prospects of the Company.

#### 14.8 OPERATIONAL RISK

The performance of the Company can be materially impacted by human factors, inadequate or failed internal processes and systems and external events.

The Company is exposed to many types of operational risks, including human errors, fraudulent and other criminal activities (both internal and external), the risk of breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of the Company's business) and systems' vulnerability, failure or non-availability. The Company is also subject to the risk of disruption of its business arising from events that are wholly or partially beyond its control (for example pandemics, natural disasters, acts of terrorism and transport or utility failures) which may give rise to losses or reductions in service to clients and/or economic loss to the Company.

People risk could also arise as key personnel could leave the institution resulting in the Company not achieving its strategic objectives.

It is therefore very important that the Company attracts and retains highly skilled personnel to accommodate growth, new product development and the provision of services, and that it replaces personnel who leave. Competition for qualified personnel can be intense, especially in the petroleum industry, and there are a limited number of people with the requisite knowledge and experience. Failure to attract and retain qualified personnel could have a material adverse impact on its operating results and stock price. If the Company is unable to retain its key team members, it may not be able to implement its strategies and, accordingly, its business, results, financial condition or prospects may be negatively affected.

Risk management policies and procedures may not capture or mitigate all the risks faced by the Company.

The Company has devoted significant resources to develop and maintain a robust risk management framework. Nonetheless, the Company's policies and procedures to identify, measure and manage risks cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Some of the Company's methods of managing risks are based on the use of historical market data and these may not be an accurate predictor of future behaviour. Although the Company attempts to minimise risk through policies, procedures, best practices and audit functions, it cannot assure that these are adequate or that they will appropriately adapt to any changes in the business or the markets in which the Company operates. Any failure by the Company to effectively implement, follow and continuously review its risk management policies and procedures may result in higher risk exposures which could materially affect its business, results and financial condition.

Any future products and/or product innovation may not perform as expected and can adversely affect the Company's financial results.

Any future acquisitions, strategic investments, partnerships or alliances may not perform as expected and can adversely affect the Company's financial results.

Acquisitions may become an important part of the Company's growth strategy. The Company has acquired and, in the future, may acquire or make strategic investments in complementary businesses or services or enter into strategic partnerships or alliances with third parties to enhance its business. While the Company will undertake a detailed due diligence and risk assessment of any such transaction, there is the risk that the actual performance may not be in accordance with expectations and could have a material adverse effect on the Company's business, results of operations, financial condition or prospects.

The Company also faces the risk that owners of DODO Service Stations may opt to not renew and/or terminate their DODO Service Station contracts and

CIDO Service Station contracts with the Company, pursuant to the terms of those contracts. If this were to happen, the Company would be faced with loss of revenues that would impact the financial condition and prospects of the Company.

#### **14.9 COVID-19 PANDEMIC**

The Company's operations and opening hours of its Service Stations may be adversely affected by a prolonged pandemic. In the event that the distribution of vaccines are delayed and/or are found to be ineffective, the Company is at risk from its earnings or capital being reduced due to station closings and reduced opening hours. The Company's operations are also at risk if staff, contractors and/or dealers contract the virus which may affect Service Station openings.

#### **14.10 REVOCATION OF TAX CONCESSIONS**

If the Company is admitted to the Junior Market, it must remain listed on the JSE trading platforms for a continuous period of not less than fifteen (15) years in order to remain eligible for the concessionary tax regime. If the Company is de-listed at any time during the first fifteen (15) years on the Junior Market it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.

#### **14.11 JUNIOR MARKET TAXATION**

The Directors anticipate that the Company will benefit from a ten (10)-year concessionary tax regime that starts from the date of listing. The remission of tax obliges the Company to meet the ongoing Junior Market requirements for at least fifteen (15) years from the date of listing. Assuming that those conditions are met, in the Company's first five (5) years on the Junior Market, the Company will not be liable to pay any corporate income tax. In years six (6) to ten (10) on the Junior Market, the Company will be liable to pay corporate income tax at half of the usual rate. If the Company breaches the requirements of the Junior Market it may be liable to repay the tax that was remitted. The Company does not guarantee that the Shares will be listed.



# 15 / 16 / 17

## PROFESSIONAL ADVISORS TO THE OFFER

## STATUTORY & GENERAL INFORMATION

16.1 STATUTORY INFORMATION REQUIRED TO BE SET OUT IN THIS PROSPECTUS BY SECTION 41 AND THE THIRD SCHEDULE TO THE COMPANIES ACT

## DOCUMENTS AVAILABLE FOR INSPECTION

## 15. PROFESSIONAL ADVISORS TO THE OFFER

AUDITORS	LEAD ARRANGER & LEAD BROKER
<p>BAKER TILLY STRACHAN LAFAYETTE 14 RUTHVEN ROAD, KINGSTON 10</p> 	<p>NCB CAPITAL MARKETS LIMITED THE ATRIUM 32 TRAFALGAR ROAD, KINGSTON 5 ATTENTION: MR. SEKOU CRAWFORD (876) 960-7108</p> 
REGISTRARS & TRANSFER AGENTS	LEGAL ADVISORS
<p>JAMAICA CENTRAL SECURITIES DEPOSITORY 40 HARBOUR STREET, KINGSTON</p>	<p>HARRISON AND HARRISON ATTORNEYS-AT-LAW SUITE 1 16 HOPE ROAD, KINGSTON 10</p> 

## 16. STATUTORY & GENERAL INFORMATION

16.1 STATUTORY INFORMATION REQUIRED TO BE SET OUT IN THIS PROSPECTUS BY SECTION 41 AND THE THIRD SCHEDULE TO THE COMPANIES ACT

- (1) The Company has no management or deferred shares.
- (2) The Articles of Incorporation do not fix any share qualification for a Director and none has been otherwise fixed by the Company in a general meeting.
- (3) The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:
  - a) The remuneration of the Directors shall from time to time be determined by the Company in General Meeting. Such remuneration shall be deemed to accrue from day to day. The Directors may also be paid

all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company. (Article 86)

- b) A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. The Directors may exercise the voting power conferred by the shares in any such other company held or owned by the Company or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of then directors or other officers of such company), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or about to be, appointed a director or other officer of such company, and as such is or may become interested in the exercise of such voting rights in the manner aforesaid. (Article 89).
- c) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such

contracts or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. (Article 97(3))

- d) Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, providing that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company. (Article 97(5))
  - e) A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine and it may be made a term of his appointment that he be paid a pension or gratuity on retirement from office. (Article 121)
- (4) The names and descriptions of the Directors appear in Section 10 of this Prospectus. The addresses of the Directors are as follows:

NAMES OF DIRECTORS	ADDRESSES
Lyden D "Trevor" Heaven	13 Paraiso Avenue, Kingston 10
Hugh Coore	13 Paraiso Avenue, Kingston 10
Jeremy Barnes	13 Paraiso Avenue, Kingston 10
Errol McGaw	13 Paraiso Avenue, Kingston 10
Junior Williams	13 Paraiso Avenue, Kingston 10
Trevor Barnes	13 Paraiso Avenue, Kingston 10
Harry Campbell	13 Paraiso Avenue, Kingston 10
Belinda Williams	13 Paraiso Avenue, Kingston 10
Gloria Declou	13 Paraiso Avenue, Kingston 10
Vernon James	13 Paraiso Avenue, Kingston 10
Eaton Parkins	13 Paraiso Avenue, Kingston 10

- (5) The minimum amount required to be raised out of the proceeds of the Invitation to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Act (the “minimum subscription”) is J\$400,000,000.00
- (6) The Invitation will open for subscription and purchase at 9:00 a.m. on the Opening Date and will close at 4:00 p.m. on the Closing Date. The Company reserves the right to:
- (a) close the Invitation at any time after it opens on the Opening Date if Applications have been received for the full amount of the Shares;
  - (b) suspend the acceptance of Applications at any time after the opening of the Application List for such period as the Company shall determine;
  - (c) withdraw the Invitation at any time after the opening of the Application List and close such Application List without accepting any Applications, in which event, any amounts paid by the Applicants for the Shares shall be refunded in full to the Applicants; or
  - (d) extend the Closing Date for any reason, provided that such period does not extend beyond the expiration of forty (40) days after the publication of this Prospectus for the purposes of section 48 of the Companies Act, 2004 with notice of such extension being posted on the website of the JSE at [www.jamstockex.com](http://www.jamstockex.com) as soon as reasonably practicable upon such extension being granted.
- (7) All Applicants will be required to pay in full the applicable price per Share as specified in this Prospectus. No further sum will be payable on Allotment.
- (8) No previous offer of shares in the Company has been made to the public.
- (9) No person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, the Company.
- (10) As at March 31, 2020 the date to which the Audited Financial Statements in Appendix 3 is made up, the Company held no investments.
- (11) In the line Intangible Assets on the Balance Sheet, the entire amount is Goodwill arising from various transactions including the acquisitions consummated by the Company. There is no amount for patents or trademarks shown in the Projected Financial Statements of the Company.
- (12) As at March 31, 2020, the date to which the Audited Financial Statements in Appendix 3 is made up, the aggregate amount of indebtedness of the Company was J\$47,866,410; as at March 31, 2020 the Company had no overdraft.
- (13) Apart from such amounts already recommended for distribution by way of dividend and paid accordingly, no further amount is recommended for distribution by way of dividend, and accordingly paragraph 5(1)(d) of Part I of the Third Schedule to the Act does not apply.
- (14) No real property is currently proposed to be purchased or acquired by the Company and paid for wholly or partly out of the proceeds of this Invitation for the purposes of paragraphs 6 to 9 (inclusive) of Part I of the Third Schedule of the Act.
- (15) Regarding paragraph 10(1)(a) of Part I of the Third Schedule to the Act, within the two (2) preceding years, no commission has been paid, nor will any be payable by the Company to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the Company.
- (16) The Company expects to pay the expenses of the Invitation out of the proceeds of its fundraising, and the Company estimates that such expenses will not exceed J\$13,389,528.00 (inclusive of, financial consultant’s fees, legal fees, consultancy fees, auditors’ fees, marketing expenses, Companies Registrar’s fees, initial fees and GCT).

- (17) Regarding paragraph 10(1)(c) of Part 1 of the Third Schedule to the Act, within the last two (2) years preceding the date of this Prospectus no amount or benefit has been paid or given or is intended to be paid or given to any promoter save for: NCBCM for financial advisory and brokerage services associated with the Invitation and the listing of the Ordinary Shares on the Junior Market under an agreement dated November 11, 2019. The agreement provides for NCBCM to act as broker and financial advisor to the Invitation (inclusive of transaction management services, company valuation, lead brokerage, and the development of a marketing strategy for the purposes of the Issue).
- (18) The material contracts of the Company are set out in Section 9.17.
- (19) The name and address of the Auditors to the Company are Baker Tilly Strachan Lafayette of 14 Ruthven Road, Kingston 10 in the parish of Saint Andrew.
- (20) Baker Tilly Strachan Lafayette has given and has not withdrawn its consent to the issue of this Prospectus with the inclusion of the Financial Information, and its name in the form and context in which it is included.
- (21) The issue is not underwritten by NCBCM.

## 17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the offices of NCB Capital Markets Limited/Registered Office of the Company, between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date (or extended Closing Date as the case may be):

- (1) The Certificate of Incorporation of the Company dated February 4, 2013;
- (2) The Articles of Incorporation of the Company;
- (3) The current Prospectus;
- (4) Petroleum Bulk Distributor and Importer Licence dated December 2, 2019, from the Minister of Science, Energy, and Technology; and
- (5) The written consent of the auditors, Baker Tilly Strachan Lafayette, to the inclusion of its name in the form and context in which it appears in this Prospectus.



# 18

## DIRECTORS' SIGNATURES

The Directors whose signatures appear below are individually and collectively responsible for the contents of the Prospectus:

### NAMES OF DIRECTORS

### SIGNATURES

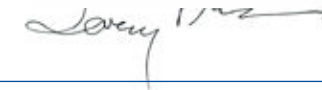
LYDEN D. "TREVOR" HEAVEN



HUGH COORE



JEREMY BARNES



ERROL MCGAW



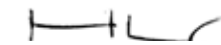
JUNIOR WILLIAMS




TREVOR BARNES



HARRY CAMPBELL



BELINDA WILLIAMS



GLORIA DECLOU



VERNON JAMES



EATON PARKINS



# APPENDIX 1: GOIPO PORTAL INSTRUCTIONS

## GOIPO PORTAL APPLICATION GUIDE

1. On your personal device visit <https://goipo.jncb.com>. (If you do not have access to a computer or smart device with online access, NCBCM's offices are equipped with tablets and representatives to assist you)
2. Select “Apply for an IPO”
3. Select “FESCO IPO”
4. Select “View Details”
5. Select “Apply Now” beside the relevant pool in which you intend to apply. Only Reserved Share Applicants will be allowed to apply from the reserved pool; however, the general pool is open for all Applicants.
6. Select your investor category;
  - a. NCB Online/GoIPO Login (*applicable to clients with online access to their NCB bank account or clients who have created a user account on GoIPO*) or
  - b. All Other Applicants (*applicable to applicants without NCB online access including applicants without an NCB Capital Markets Limited Account*)

**For NCB Online - this option is available to Applicants with current online access to their NCB bank account who wish to pay from their NCB or NCBCM account**

- Select “NCB Online/GoIPO Login” option
- Enter your NCB online username and password

### Step 1

- Enter the amount of money you wish to spend. Note that the system will not facilitate currency conversion.
- Select your “JCSD number” then click, “save and continue”
  - *If your JCSD number is not seen, then select “Add JCSD Number”*
  - *Each joint holder on the account, will be required to confirm*

*via email or by uploading the signed signature document. This signature document can be downloaded then added to your application before submission. A signature is not required where the joint holder is a minor (under 18 years old)*

### Step 2

- Select your NCBJ or NCBCM funding account from the list seen then “save and continue”. Note that your displayed bank and broker accounts will be in the currency of the selected IPO.

### Step 3

- Select your “refund account and dividend mandate accounts” from the lists seen then, “save and continue”. Note that your displayed bank and broker accounts will be in the currency of the selected IPO.

### Step 4

- Review your application details and select “**Submit**”

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### Tips:

- You are able to track your Application with the reference number provided
- Your Application will only be processed once payments indicated in Step 2 are received and confirmed by NCBCM
- Check your email for notifications updates on your order submission. We recommend that you add [goipo@jncb.com](mailto:goipo@jncb.com) to your contacts to ensure that you receive all update notifications on status of your Application.

## User Account - this option is available to clients who have created and activated their GoIPO profile

Please note you are required to submit your IPO application then fund via desired financial institution

- Select the “login option”
- Read and accept the site’s terms and conditions in order to proceed

### Step 1

- Enter the amount of money you wish to spend. Note that the system will not facilitate currency conversion
- Select your “JCSD number” then click, “save and continue”
  - *If your JCSD number is not seen, then select “Add JCSD Number”*
  - *Each joint holder on the account, will be required to confirm via email or by uploading the signed signature document. This signature document can be downloaded then added to your Application before submission. A signature is not required where the joint holder is a minor (under 18 years old). If there is a joint holder to the account, then click ‘yes’ and complete the Joint Holder information then click, “continue”*
- If there is no joint holder to the account, then click “no”

### Step 2

- Selecting the appropriate funding method and complete the required fields (see below) and continue

#### For Existing NCBCM Account

- *This is only for NCBCM Applicants providing instructions to NCBCM to make payment from cleared funds in the currency of the IPO on their NCBCM broker account. The payment must be coming from the Applicants' NCBCM broker account in which the Shares are expected to be held.*

#### For Other

- *This applies to all Applicants who are making payments by electronic transfer or direct deposit to NCB Capital Markets Limited by Broker*
- *Applicants may choose to have their Broker remit funds to NCBCM. You must provide your Broker with your **Application reference number along with your JCSD**. Your Broker must state these details when remitting the funds to NCBCM*

#### JMD Payments to NCBCM must use the instructions below:

Bank:	National Commercial Bank
BIC:	JNCBJMKX
Branch:	1-7Knustford Blvd. New Kingston
Beneficiary account #:	291-024-688
Beneficiary account name:	NCB Capital Markets Limited
Include Comments:	FESCO IPO – [Reference # & JCSD]

### Step 3

- Select your ‘refund account and dividend mandate account’ from the lists seen, ‘save and continue’. Note that your displayed bank and broker accounts will be in the currency of the selected IPO

*(If no mandates were previously added select the “Add Mandate”)*

### Step 4

- Upload image of valid government issued photo identification. This ID will only be captured once until expired
- Review your Application details and select ‘Submit’

## Tips:

- If your funds are with another institution, then you may transfer the funds to your NCBJ or NCBCM account before starting the process or use the “All Other Investors Option”
- Navigate to your dashboard to view your Application and all previously completed Applications.
- Once you have successfully submitted your application, please check your email for notifications on order submission status. We recommend that you add goipo@jncb.com to ensure that you receive all notifications on your application

## For All Other Applicants - this option is available to clients without NCB online access and Applicants who are not clients of NCBCM

Please note you are required to submit your IPO Application then fund via desired financial institution

- Select the “All other investor option”
- Read and accept the site’s terms and conditions in order to proceed

## Step 1

- Enter the amount of money you wish to spend. Note that the system will not facilitate currency conversion.
- Complete the primary holder information
- If there is a joint holder to the account, then click ‘**yes**’ and complete the Joint Holder information then click, ‘**continue**’. **The joint holder will be required to complete and sign the Signature Document**
- If there is no joint holder to the account, then click ‘**no**’

## Step 2

- Select the appropriate funding method and complete the required fields (see below) and continue

### For Existing NCBCM Account

- *This is only for NCBCM Applicants providing instructions to NCBCM to make payment from cleared funds in the currency of the IPO on their NCBCM broker account. The payment must be coming from the Applicants' NCBCM broker account in which the Shares are expected to be held.*

### For Other

- *This is for all Applicants who are making payments by electronic transfer or direct deposit to NCB Capital Markets Limited, Broker or other electronic methods to include direct deposits.*
- *Applicants may choose to have their Broker remit funds to NCBCM. You must provide your Broker with your Application reference number along with your JCSD. Your Broker must state these details when remitting the funds to NCBCM*

### JMD Payments to NCBCM must use the instructions below:

Bank:	National Commercial Bank
BIC:	JNCBJMKX
Branch:	1-7Knustford Blvd. New Kingston
Beneficiary account #:	291-024-688
Beneficiary account name:	NCB Capital Markets Limited
Include Comments:	FESCO IPO – [Reference # & JCSD]



### Step 3

- Complete refund and dividend mandates and continue

### Step 4

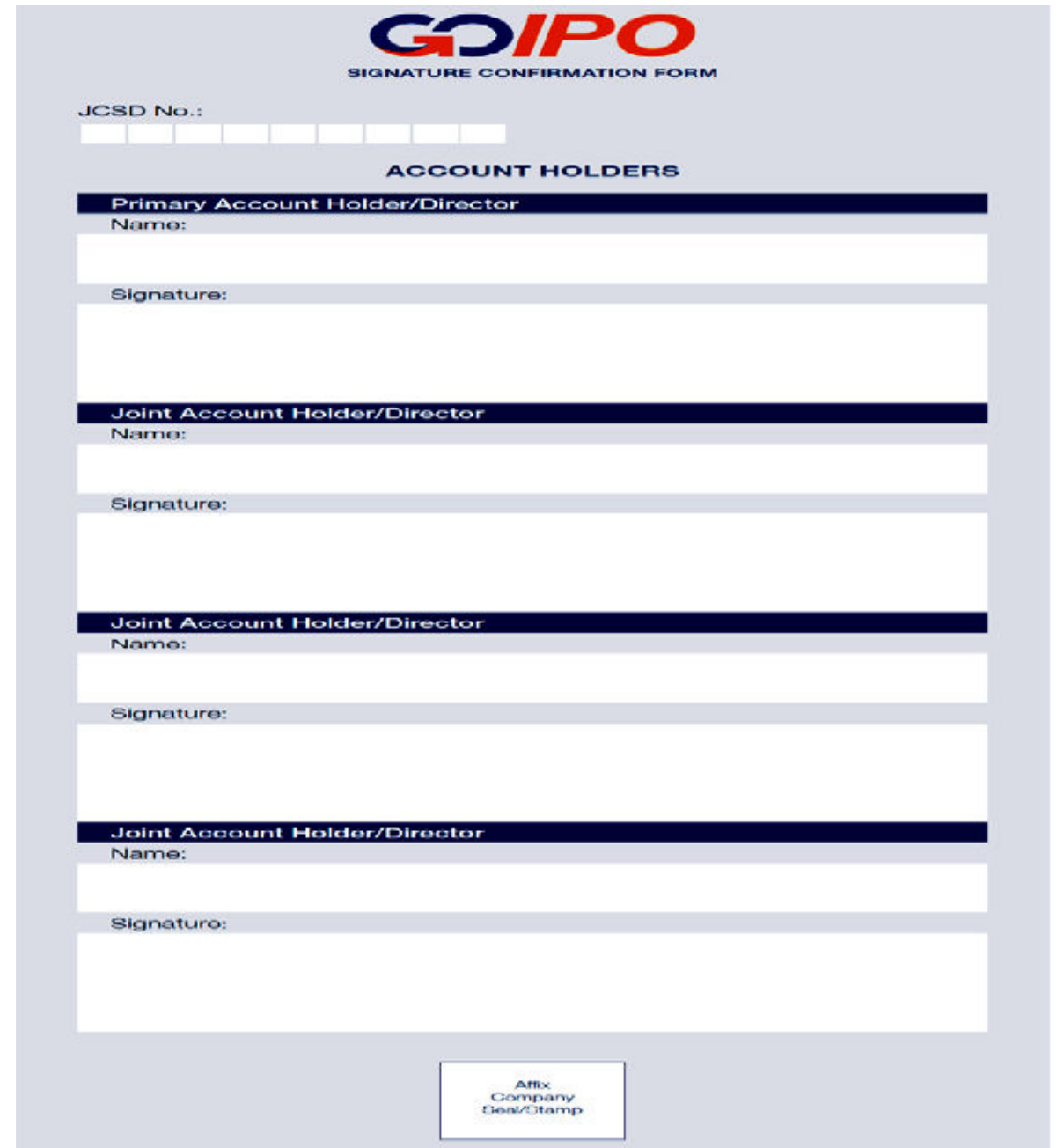
- Upload image of valid government issued photo identification & signed Signature Document (*The signature document may be signed on screen and then uploaded or printed, signed and uploaded. Where there is a joint holder on the account, they will be required to also sign the signature document. This is not applicable where the joint holder is a minor*)
- Submit your application.

### Tips:

- You are able to track your Application with the reference number provided
- Your Application will only be processed once payments indicated in Step 2 are received and confirmed by NCBCM
- You should upload copies of a Government Issued ID and TRN or SSN for all Applicants (where a Jamaican Drivers Licence is used then you will not need to provide TRN)
- Check your email for notifications on order submission status. We recommend that you add goipo@jncb.com to ensure that you receive all notifications on your Application
- If you encounter any technological difficulties in submitting your Application, you can visit our offices which are equipped with tablets and staff to assist you in completing and submitting your application online.

### GOIPO SIGNATURE DOCUMENT FOR NON-NCB ONLINE USERS.

THIS DOCUMENT MUST BE SCANNED AND UPLOADED WITH YOUR GOIPO APPLICATION.



The form is titled "GOIPO SIGNATURE CONFIRMATION FORM". At the top, it features the GOIPO logo and the text "SIGNATURE CONFIRMATION FORM". Below this, there is a field for "JCSD No.:" followed by a grid of 10 small boxes. The main section is titled "ACCOUNT HOLDERS" and contains three identical blocks for "Primary Account Holder/Director" and "Joint Account Holder/Director". Each block has a "Name:" field and a "Signature:" field. At the bottom center, there is a box labeled "Affix Company Seal/Stamp".

## APPENDIX 2: LIST OF SERVICE STATION BRANDS

	Brand	Location	Corporate Body
1	Advance	Albion Yalhas	Local
2	AML	Angels	Local
3	Blaize	Multiple locations	Local
4	Boot	Multiple locations	Local
5	Bud's	Multiple locations	Local
6	C&J Petroleum	Moneague, ST. Mary, Clarendon	Local
7	Cool Oasis	Multiple locations	Local
8	Epping	Multiple locations	Local
9	Fargo's Petroleum	Breezy Hill Chapelton	Local
10	Ferris Gas Station	Westmoreland	Local
<b>11</b>	<b>FESCO</b>	<b>Multiple locations</b>	<b>Local</b>
12	Flamingo	Trelawny	Local
13	Garmic Ventures (GV)	Hanover, Multiple	Local
14	Gas Mart	Multiple locations	Local
15	Gibson's	Clarendon	Local
16	Globil	Clarendon	Local
17	Hay's Enterprise	Hay's Enterprise	Local
18	Jamgas	Manchester	Local
19	Jampet	St. Catherine, Multiple	Local
20	Jay's Petrol Station and Bar	Little London	Local
21	Johnson's	Multiple locations	Local
22	Kings Landing	Linstead	Local

	Brand	Location	Corporate Body
23	Long Bay	Portland (formerly Texaco)	Local
24	Maragh's	Hayes	Local
25	Marco	St. Catherine	Local
26	Mic Mar Traders	Little London	Local
27	Michaels	Multiple locations	Local
28	Mobile Welding	Bogue	Local
29	Multipet	Multiple locations	Local
30	Petcom	Multiple locations	Local - St Lucia
31	Phoenix	Portmore	Local - St Lucia
32	Robert's	Manchioneil	Local
33	Robinsons	Linstead	Local
34	Rubis	Multiple locations	Multinational
35	Scott's	Lydford	Local
36	Shazz	St. Ann	Local
37	Superior	Multiple locations	Local
38	SXXON	Westmoreland	Local
39	Texaco	Multiple locations	Multinational
40	Thrifty	Multiple locations	Local
41	Total	Multiple locations	Multinational
42	Unipet	Multiple locations	Local
43	Williams Petroleum	St. James	Local
44	Winter's Petroleum	Portland	Local
45	Yaadman	St. Elizabeth, Multiple	Local
46	Young's Service Centre	Westmoreland	Local

Compiled by FESCO's Management -Non Exhaustive

As at August 2020

**APPENDIX 3: AUDITED FINANCIAL STATEMENTS FOR THE PERIOD MARCH 2016- MARCH 2020**

**Future Energy Source Company Limited**

**Historical Financial Information  
31 March 2016 to 31 March 2020**

# Future Energy Source Company Limited

## Index

31 March 2016 to 31 March 2020

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Summary statement of cash flows	4
Additional disclosure	5



## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Future Energy Source Company Limited

### **Report on Summarised Financial Statements**

The accompanying summarised financial statements titled "Audited Financial Information" have been derived from the financial statements of Future Energy Source Company Limited (the Company) as at, and for the financial year ends, referred to in the table below.

The accompanying summarised financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on whether the summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

We have audited the following financial statements as at and for the financial year ends detailed in the table below, from which these summarised combined financial statements were derived. These audits were conducted in accordance with International Standards on Auditing.

ADVISORY • ASSURANCE • TAX

PARTNERS: Wayne Strachan; FCA; FCCA; MBA Emile Lafayette; FCA; FCCA; MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA; FCCA; MBA

Baker Tilly Strachan Lafayette trading as BakerTilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

To the Members of  
Future Energy Source Company Limited Group Limited  
Page 2

In our reports, dated as indicated in the table below, we expressed unqualified opinions on the financial statements from which the summarised financial statements were derived.

<u>Year end</u>	<u>Audit Report Date</u>
31 March 2016	12 January 2017
31 March 2017	17 August 2017
31 March 2018	30 July 2018
31 March 2019	31 January 2020
31 March 2020	05 October 2020

***Emphasis of Matter***

We draw your attention to the following:

The summarised combined financial statements are not a complete set of financial statements, with all the required disclosures of International Financial Reporting Standards. For a better understanding of the Company's financial position and the results of operations for the periods presented, and of the scope of the related audits, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit reports thereon.

We have not qualified our opinion in relation to the above matter.

***Opinion***

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

*Baker Tilly*  
**Chartered Accountants**  
Kingston, Jamaica  
23 October 2020

**Future Energy Source Company Limited**  
**Summary Separate Financial Statements**  
**31 March 2016 to 31 March 2020**

**Future Energy Source Company Limited**  
 Summary Statement of Comprehensive Income  
**Five Years ended March 31, 2016, 2017, 2018, 2019, 2020**  
 (expressed in Jamaican dollars unless otherwise indicated)

	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$
<b>Turnover</b>	3,754,099,608	4,115,233,824	4,610,895,083	5,434,246,867	5,936,346,825
Cost of sales	(3,725,913,612)	(4,083,070,607)	(4,538,638,076)	(5,348,995,804)	(5,758,006,328)
<b>Gross profit</b>	28,185,996	32,163,217	72,257,007	85,251,063	178,340,497
Other income	-	-	1,838,886	257,511	-
<b>Total income</b>	28,185,996	32,163,217	74,095,893	85,508,574	178,340,497
Operating and administrative expenses	(11,365,185)	(13,718,204)	(28,665,902)	(37,764,007)	(54,042,768)
Impairment losses on financial assets	-	-	-	(2,539,346)	(487,423)
<b>Operating profit</b>	16,820,811	18,445,013	45,429,991	45,205,221	123,810,306
Finance income, net	(1,007,458)	(633,174)	(1,033,277)	4,950,963	12,985,174
<b>Profit before taxation</b>	15,813,353	17,811,839	44,396,714	50,156,184	136,795,480
Taxation	(3,659,678)	(4,161,704)	(11,826,534)	(10,463,509)	(32,023,808)
<b>Net profit for the year, being total comprehensive income</b>	<b>12,153,675</b>	<b>13,650,135</b>	<b>32,570,180</b>	<b>39,692,675</b>	<b>104,771,672</b>
<b>Earnings Per Share</b>				<b>\$44,102.97</b>	<b>\$116,412.97</b>



**Future Energy Source Company Limited**  
 Summary Statement of Financial Position  
**Five Years ended March 31, 2016, 2017, 2018, 2019, 2020**  
 (expressed in Jamaican dollars unless otherwise indicated)

	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	3,508,646	20,413,535	30,114,287	137,190,890	128,621,681
Right-of-use assets		-	-	-	5,824,258
Finance lease		-	-	-	13,809,106
	<u>3,508,646</u>	<u>20,413,535</u>	<u>30,114,287</u>	<u>137,190,890</u>	<u>148,255,045</u>
<b>CURRENT ASSETS</b>					
Inventories	-	-	-	8,422,209	13,596,947
Receivables	43,017,529	16,615,473	93,327,835	138,269,635	129,971,728
Directors' accounts	1,886				
Due from related parties	9,025,813	51,763,306	90,116,811	13,328,792	40,930,081
Taxation recoverable	-	-	-	74,699	188,898
Current portion of finance lease	-	-	-	-	2,272,262
Cash at bank	7,416,684	34,636,224	56,896,526	89,313,486	138,661,460
	<u>59,461,912</u>	<u>103,015,003</u>	<u>240,341,172</u>	<u>249,408,821</u>	<u>325,621,376</u>
<b>TOTAL ASSETS</b>	<b><u>62,970,558</u></b>	<b><u>123,428,538</u></b>	<b><u>270,455,459</u></b>	<b><u>386,599,711</u></b>	<b><u>473,876,421</u></b>
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' Equity</b>					
Share capital	900	900	900	900	900
Retained earnings	17,530,621	31,180,756	63,750,936	100,690,071	205,461,743
	<u>17,531,521</u>	<u>31,181,656</u>	<u>63,751,836</u>	<u>100,690,971</u>	<u>205,462,643</u>
<b>NON-CURRENT LIABILITIES</b>					
Long term loan				47,913,491.00	36,654,037.00
Lease liabilities			-	-	2,678,516.00
Deferred income taxes	78,028	125,217	1,606,785	357,323	677,029
Due to related parties	-	45,298,529	83,607,887	55,880,143	18,053,450
	<u>78,028</u>	<u>45,423,746</u>	<u>85,214,672</u>	<u>104,150,957</u>	<u>58,063,032</u>
<b>CURRENT LIABILITIES</b>					
Payables	42,265,260	43,749,837	112,356,335	162,275,644	167,181,530
Current portion of long-term loan			-	10,404,634	11,212,373
Current portion of lease liabilities			-	-	2,994,757
Taxation	3,095,749	3,073,299	9,132,616	9,077,505	28,962,086
	<u>45,361,009</u>	<u>46,823,136</u>	<u>121,488,951</u>	<u>181,757,783</u>	<u>210,350,746</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>62,970,558</u></b>	<b><u>123,428,538</u></b>	<b><u>270,455,459</u></b>	<b><u>386,599,711</u></b>	<b><u>473,876,421</u></b>

**Future Energy Source Company Limited**

Summary Statement of Changes in equity

For each of the Five Years ended March 31, 2016, 2017, 2018, 2019, 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Retained Earnings	Total
	\$	\$	\$
<b>Balances at 31 March 2015</b>	900	5,376,946	5,377,846
Total comprehensive income	-	12,153,675	12,153,675
<b>Balances at 31 March 2016</b>	900	17,530,621	17,531,521
Total comprehensive income	-	13,650,135	13,650,135
<b>Balances at 31 March 2017</b>	900	31,180,756	31,181,656
Total comprehensive income	-	32,570,180	32,570,180
<b>Balances at 31 March 2018</b>	900	63,750,936	63,751,836
Adjustment on initial application of IFRS 9	-	(2,753,540)	(2,753,540)
Adjusted balances at 1 April 2018	900	60,997,396	60,998,296
Total comprehensive income	-	39,692,675	39,692,675
<b>Balances at 31 March 2019</b>	900	100,690,071	100,690,971
Total comprehensive income	-	104,771,672	104,771,672
<b>Balances at 31 March 2020</b>	900	205,461,743	205,462,643

**Future Energy Source Company Limited**  
 Summary Statement of Cash Flow  
 Five Years ended March 31, 2016, 2017, 2018, 2019, 2020  
 (expressed in Jamaican dollars unless otherwise indicated)

	\$	\$	\$	\$	\$
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>					
<b>Operating Activities</b>					
Profit before interest and taxation	15,813,353	17,811,839	44,396,714	50,156,184	136,795,480
Adjustments for:					
Depreciation	468,022	2,409,348	3,648,984	2,266,860	1,470,805
Amortization on right-of-use asset	-	-	-	-	1,916,053
Impairment losses on financial assets	-	-	-	2,539,346	487,423
Foreign exchange gain	-	-	-	-	(3,742,371)
Gain on disposal of property, plant and equipment	-	-	(1,677,602)	(257,511)	-
Lease interest expense	-	-	-	-	422,525
Interest income	-	(13,955)	(1,042,355)	(5,673,642)	(13,693,006)
Interest expense	-	12,637	-	722,679	4,027,678
	16,281,375	20,219,869	45,325,741	49,753,916	127,684,587
Changes in operating assets and liabilities: -					
Increase in inventories	-	-	-	-	(5,174,738)
(Increase)/decrease in receivables	(12,303,269)	(16,335,437)	(76,712,362)	(50,234,686)	7,810,484
(Decrease)/increase in payables	(79,181,605)	46,783,106	68,606,498	49,919,309	3,777,436
Due to related parties, net	26,253,379	-	(44,147)	49,060,275	(65,427,982)
Cash provided by operating activities	(48,950,120)	50,667,538	37,175,730	98,498,814	68,669,787
Income tax paid	(1,477,124)	(4,136,965)	(4,285,649)	(11,842,781)	(11,933,720)
Interest received	-	13,955	1,042,355	5,673,642	13,693,006
Interest paid	-	(12,637)	-	(722,679)	(4,450,203)
Cash (used in)/ provided by operating activities	(50,427,244)	46,531,891	33,932,436	91,606,996	65,978,870
<b>Investing Activities</b>					
Purchase of property, plant and equipment	(3,100,577)	(19,314,237)	(15,723,542)	(118,465,672)	(1,717,575)
Proceeds from disposal of property, plant and equipment	-	-	4,051,408	957,511	8,815,979
Cash (used in)/provided by investing activities	(3,100,577)	(19,314,237)	(11,672,134)	(117,508,161)	7,098,404
<b>Financing Activities</b>					
Long term loans, net	-	-	-	58,318,125	(10,451,715)
Lease principal payments	-	-	-	-	(2,067,038)
Finance lease receivable, net related parties net	-	-	-	-	(16,081,368)
	-	1,886	-	-	-
Cash (used in)/provided by financing activities	-	1,886	-	58,318,125	(28,600,121)
<b>Net increase in cash and cash equivalents during year</b>	(53,527,821)	27,219,540	22,260,302	32,416,960	44,477,153
<b>Effect of foreign exchange on cash and bank</b>	-	-	-	-	4,870,821
<b>Cash and cash equivalents at the beginning of the year</b>	60,944,505	7,416,684	34,636,224	56,896,526	89,313,486
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	7,416,684	34,636,224	56,896,526	89,313,486	138,661,460
<b>Represented by:</b>					
<b>Cash at bank</b>	7,416,684	34,636,224	56,896,526	89,313,486	138,661,460

**Future Energy Source Company Limited**

Additional Disclosure

(expressed in Jamaican Dollars unless otherwise indicated)

These are the summary financial statements of Future Energy Source Company Limited (“the Company”) for the five years ended 31 March 2016, 2017, 2018, 2019 and 2020. The summary financial statements are derived from the full financial statements of the Company as at and for the years ended 31 March 2016, 2017, 2018, 2019 and 2020.

Future Energy Source Company Limited is private limited company incorporated and domiciled in Jamaica under the provisions of the Companies Act on February 4, 2013. The company commenced trading December 9, 2013. The registered place of business is located at 13 Paraiso Avenue, Kingston 10, St. Andrew.

The company carries on the business of trade marketing in petroleum and automotive products.

**Basis of preparation**

The summary financial statements have been extracted from the financial statements, and prepared in accordance with the Jamaican Companies Act. The financial statements as at and for the years ended 31 March 2016, 2017, 2018, 2019 and 2020 were authorised for issue by the Board of Directors on 12 January 2017, 17 August 2017, 30 July 2018, 31 January 2020 and 5 October 2020, respectively.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and contain unmodified audit opinions. The summary financial statements do not include all the disclosures provided in the financial statements and cannot be expected to provide as complete an understanding as provided by the financial statements. The full financial statements are available at the offices of Future Energy Source Company Limited, 13 Paraiso Avenue, Kingston 10, St. Andrew. The full financial statements have been reviewed by Baker Tilly who, in their reports expressed an unqualified opinion for each year.



**APPENDIX 4: UNAUDITED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED DECEMBER 31, 2020**

**Future Energy Source Company Limited**

**Financial Statements  
31 December 2020**

# Future Energy Source Company Limited

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31 December 2020

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## AUDITORS' REPORT

### Financial Statements

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## **INDEPENDENT AUDITORS' REVIEW REPORT**

To the Directors of  
Future Energy Source Company Limited

We have reviewed the accompanying financial statements of Future Energy Source Company Limited, which comprise the statement of financial position as of 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine (9) months ended 31 December 2020, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements, based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), engagements to review historical financial statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with International Financial Reporting Standards (IFRS). This Standard require that we comply with ethical requirements and perform the review to obtain moderate assurance whether the financial statements are free of material misstatement.

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PARTNERS: Wayne Strachan; FCA;FCCA;MBA Emile Lafayette; FCA;FCCA;MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA;FCCA;MBA

Baker Tilly Strachan Lafayette trading as BakerTilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

### **Opinion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, (or do not give a true and fair view of) the financial position of Future Energy Source Company Limited as at December 31, 2020, and of its statement of comprehensive income and statement of cash flows for the nine (9) months ended 31 December 2020, in accordance with International Financial Reporting Standards (IFRS).

*Baker Tilly*

**Chartered Accountants**

Kingston, Jamaica

11 February 2021



## Future Energy Source Company Limited

### Statement of Financial Position

As at 31 December 2020

	Notes	9 Months 31 December 2020 \$	9 Months 31 December 2019 \$	Audited 31 March 2020 \$
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment		229,914,128	131,910,887	128,621,681
Right-of-use assets		5,265,795	-	5,824,258
Finance lease receivables		12,318,225	18,063,623	13,809,106
		247,498,148	149,974,510	148,255,045
<b>Current Assets</b>				
Inventories	3	20,312,271	4,806,700	13,596,947
Receivables	4	122,515,891	142,741,932	129,971,728
Due from related parties		67,473,668	98,245,067	40,930,081
Taxation recoverable		-	-	188,898
Current portion of finance lease		2,448,505	2,216,387	2,272,262
Cash and cash equivalents	5	72,668,019	118,138,890	138,661,460
		285,418,354	366,148,976	325,621,376
<b>TOTAL ASSETS</b>		<b>532,916,502</b>	<b>516,123,486</b>	<b>473,876,421</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' Equity</b>				
Share capital	6	4,802,000	900	900
Retained earnings		276,388,849	174,031,885	205,461,743
		281,190,849	174,032,785	205,462,643

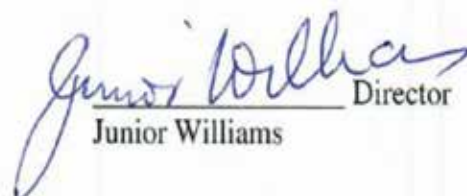
## Future Energy Source Company Limited

### Statement of Financial Position As at 31 December 2020

	Notes	9 Months 31 December 2020	9 Months 31 December 2019	Audited 31 March 2020
<b>Non-Current Liabilities</b>				
Long-term loan	7	27,680,192	38,648,832	36,654,037
Lease liabilities		1,041,096	-	2,678,516
Due to related parties	8	15,000,000	15,000,000	18,053,450
Deferred income taxes		677,029	674,278	677,029
		44,398,317	54,323,110	58,063,032
<b>Current Liabilities</b>				
Payables	9	113,225,876	233,894,822	167,181,530
Current portion of long-term loan	7	11,859,068	11,004,741	11,212,373
Current portion of lease liabilities		1,673,500	-	2,994,757
Taxation		41,012,335	24,943,459	28,962,086
Bank overdraft		39,556,557	17,924,569	-
		207,327,336	287,767,591	210,350,746
<b>TOTAL EQUITY AND LIABILITIES</b>		532,916,502	516,123,486	473,876,421

Approved for issue by the Board on 11 February 2021 and signed on its behalf by:

  
Errol McGaw  
Director

  
Junior Williams  
Director

## Future Energy Source Company Limited

### Statement of Comprehensive Income Nine months ended 31 December 2020

	<b>9 Months 31 December 2020</b>	<b>9 Months 31 December 2019</b>
	\$	\$
<b>Turnover</b>	4,347,243,361	4,577,295,397
Cost of sales	(4,205,319,494)	(4,439,549,701)
<b>Gross profit</b>	141,923,867	137,745,696
Operating and administrative expenses	(58,722,538)	(44,985,947)
<b>Operating profit</b>	83,201,329	92,759,749
Finance income, net	9,031,579	2,638,350
<b>Profit before taxation</b>	92,232,908	95,398,099
Taxation	(21,305,802)	(21,941,562)
<b>Net profit for the period, being total comprehensive income</b>	<b>70,927,106</b>	<b>73,456,537</b>

## Future Energy Source Company Limited

### Statement of Change in Equity Nine months ended 31 December 2020

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
<b>Balance at 1 April 2019</b>	900	100,575,348	100,576,248
Total comprehensive income	-	73,456,537	73,456,537
<b>Balance at 31 December 2019</b>	900	174,031,885	174,032,785

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
<b>Balance at 1 April 2020</b>	900	205,461,743	205,462,643
Total comprehensive income	-	70,927,106	70,927,106
Issue of shares	4,801,100	-	4,801,100
<b>Balance at 31 December 2020</b>	4,802,000	276,388,849	281,190,849



## Future Energy Source Company Limited

### Statement of Change in Equity Nine months ended 31 December 2020

	9 Months 31 December 2020	9 Months 31 December 2019
	\$	\$
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>		
<b>Operating Activities</b>		
Profit before taxation	92,232,908	95,398,099
Adjustments for:		
Depreciation	2,424,023	1,128,810
Amortization of right-of-use asset	5,265,795	-
Foreign exchange gain	(6,321,216)	1,128,450
Lease interest expense	228,603	-
Interest income	(2,710,362)	(3,774,877)
Interest expense	2,631,588	3,373,946
	<u>93,751,339</u>	<u>97,254,428</u>
Changes in operating assets and liabilities: -		
(Increase)/decrease in inventories	(6,715,324)	3,615,509
Decrease/increase in receivables	7,644,735	(4,472,297)
(Decrease)/increase in payables	(53,955,654)	71,619,178
Due to related parties, net	(29,597,037)	(125,796,418)
Cash provided by operating activities	11,128,059	42,220,400
Income tax paid	(9,255,553)	(6,075,608)
Interest received	2,710,362	3,774,877
Interest paid	(2,631,588)	(3,373,946)
Cash provided by operating activities	<u>1,951,280</u>	<u>36,545,723</u>
<b>Investing Activity</b>		
Purchase of property, plant and equipment	(103,716,470)	-
Cash used in investing activity	<u>(103,716,470)</u>	<u>-</u>

## Future Energy Source Company Limited

### Statement of Change in Equity Nine months ended 31 December 2020

	<b>9 Months 31 December 2020</b>	<b>9 Months 31 December 2019</b>
	\$	\$
<b>Financing Activities</b>		
Issue of shares	4,801,100	-
Long term loans, net	(10,114,313)	(8,664,552)
Lease principal payments	(3,478,173)	(1,827,765)
Finance lease, net	(1,314,638)	(14,024,121)
Cash used in financing activities	(10,106,024)	(24,516,438)
Net (decrease)/increase in cash and cash equivalents during period	(111,871,214)	12,029,285
Effect of foreign exchange on cash and cash equivalents	6,321,216	(1,128,450)
Cash and cash equivalents at the beginning of the period	138,661,460	89,313,486
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>33,111,462</b>	<b>100,214,321</b>
<b>Represented by:</b>		
Cash at bank	72,668,019	118,138,890
Bank overdraft	(39,556,557)	(17,924,569)
	<b>33,111,462</b>	<b>100,214,321</b>

## Future Energy Source Company Limited

### Notes to the Financial Statements

31 December 2020

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#### 1. Identification and principal activities

Future Energy Source Company Limited is private limited liability company incorporated and domiciled in Jamaica, was incorporated under the provisions of the Companies Act on February 4, 2013 and commenced trading December 9, 2013.

The company carries on the business of distribution of fuels, non-transportation fuels (asphalts, kerosene and heavy oils), lubricants, chemicals and purified bottled water.

The registered place of business is located at 13 Paraiso Avenue, Kingston 10, St. Andrew.

#### 2. Summary of significant accounting policies

##### (a) Basis of preparation

These unaudited interim financial statements for the 9 months ended 31 December 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These interim financial statements should be read in conjunction with the accounting policies as set out in Note 2 of the audited financial statements for the year ended 31 March 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements comprise the statement of comprehensive income, the statement of financial position, 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.

## Future Energy Source Company Limited

### Notes to the Financial Statements

31 December 2020

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#### 2. Summary of significant accounting policies (continued)

**(b) 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 value of the assets over their expected useful lives. The rates used to write off the cost of assets are as follows:

Computer equipment	20%
Furniture & equipment	10%
Signage	10%

**(c) 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 translated 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.

**(d) 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.

**(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.



## Future Energy Source Company Limited

### Notes to the Financial Statements

31 December 2020

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#### 2. Summary of significant accounting policies (continued)

(e) **Receivables (continued)**

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 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) **Cash and cash equivalents**

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitment rather than for investment or other purposes.

(g) **Interest bearing loans and borrowings**

Borrowings are stated initially at cost, being the fair value of the consideration received, net of issue costs associated with the borrowings. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings.

(h) **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.

(i) **Payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised.

(j) **Fair value of financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets carried on the statement of financial position include finance lease receivables, receivables, due from related parties, cash and cash equivalents. Financial liabilities consist of payables, lease liabilities, long-term loans and bank overdraft.

Generally financial instruments are recognized on the statement of financial position when the company becomes a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

## Future Energy Source Company Limited

### Notes to the Financial Statements

31 December 2020

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#### 2. Summary of significant accounting policies (continued)

(k) **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.

(l) **Revenue recognition**

Revenue from services rendered is recognized in the company statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the customer.

(m) **Taxation**

Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognized as income tax expense or benefit in the statement of comprehensive income except, where they relate to items recorded in shareholders' equity, they are also charged or credited to shareholders' equity.

(i) Current taxation

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

## Future Energy Source Company Limited

### Notes to the Financial Statements

31 December 2020

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#### 2. Summary of significant accounting policies (continued)

##### (m) Taxation (continued)

###### (i) Deferred taxation

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.

##### (n) Related party transactions

A party is related to the company, if:

- (i) directly or indirectly through one or more intermediaries, the party controls, 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 is 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.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 December 2020

#### 3. Inventories

	<b>9 Months 31 December 2020</b>	<b>9 Months 31 December 2019</b>
	\$	\$
Pumps and service station supplies	20,312,271	4,806,700

#### 4. Receivables

	<b>9 Months 31 December 2020</b>	<b>9 Months 31 December 2019</b>
	\$	\$
Trade receivables	121,958,772	141,710,153
Other receivables	294,244	768,904
Security deposits	262,875	262,875
	<u>122,515,891</u>	<u>142,741,932</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 December 2020

#### 5. Cash and Cash equivalents

	<b>9 Months 31 December 2020</b>	<b>9 Months 31 December 2019</b>
	\$	\$
Barita Investments Limited	14,462,854	12,741,282
MF&G Trust & Finance Limited	19,638	19,638
National Commercial Bank Jamaica Limited	4,117,779	10,304,265
NCB Capital Markets Limited	53,802,744	91,602,519
Bank of Nova Scotia Jamaica Limited	8,461	3,457,631
Bank of Nova Scotia Jamaica Limited	256,543	13,555
	<u>72,668,019</u>	<u>118,138,890</u>



## Future Energy Source Company Limited

### Notes to the Financial Statements

31 December 2020

#### 6. Share capital

	<b>9 Months 31 December 2020</b>	<b>9 Months 31 December 2019</b>
	\$	\$
Authorised unlimited, issued and fully paid 2,200,000,000 ordinary shares of no par value	4,802,000	900
	<b>9 months 31 December 2020</b>	<b>9 months 31 December 2019</b>
	\$	\$
Issued and fully paid:		
Balance at beginning of period	900	900
Issue of shares	4,801,100	-
Balance at end of period	4,802,000	900

On 8<sup>th</sup> December 2020, the directors passed an ordinary resolution increasing the authorized share capital to unlimited and allotted 2,199,999,100 shares. The total allotted or issued shares now stands at 2,200,000,000 ordinary shares.

## Future Energy Source Company Limited

### Notes to the Financial Statements

31 December 2020

#### 7. Long-term loan

	<b>9 Months 31 December 2020</b>	<b>9 Months 31 December 2019</b>
	\$	\$
MF&G Trust & Finance Limited	39,539,260	49,653,573
Less: Current portion	(11,859,068)	(11,004,741)
	<u>27,680,192</u>	<u>38,648,832</u>

This loan, was received on 7<sup>th</sup> January 2019 for the purchase of lands located at Beechwood Avenue and Park Avenue, Kingston 5. The loan attracts interest of 7.5% per annum and is repayable over 60 equal monthly instalments of \$1,202,277.

#### 8. Due to related parties

	<b>9 Months 31 December 2020</b>	<b>9 Months 31 December 2019</b>
	\$	\$
Alwil Company Limited	3,000,000	3,000,000
Coore's Limited	3,000,000	3,000,000
Mackville Car Rentals Limited	3,000,000	3,000,000
Petromac Service Center Limited	3,000,000	3,000,000
TM&T Services Limited	3,000,000	3,000,000
	<u>15,000,000</u>	<u>15,000,000</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 December 2020

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#### 9. Payables

	9 Months 31 December 2020	9 Months 31 December 2019
	\$	\$
Trade payables	112,382,574	230,461,441
Other payable	843,302	3,433,381
	113,225,876	233,894,822

**APPENDIX 5: AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020**

**Future Energy Source Company Limited**

**Financial Statements  
31 March 2020**

# Future Energy Source Company Limited

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31 March 2020

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#### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Future Energy Source Company Limited

14 Ruthven Road  
Kingston 10  
Jamaica

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

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

### **Report on the audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Future Energy Source Company Limited (“the Company”) set out on pages 1 to 50, which comprise the statement of financial position at 31 March 2020, the statement of comprehensive income, the statement of changes in equity and the statement cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

#### *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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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PARTNERS: Wayne Strachan; FCA;FCCA;MBA Emile Lafayette; FCA;FCCA;MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA;FCCA;MBA

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## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

To the Members of  
Future Energy Source Company Limited  
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### **Report on the audit of the Financial Statements (continued)**

#### *Responsibilities of Management and the Board of Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and 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 to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

#### *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 skepticism 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

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## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

To the Members of  
Future Energy Source Company Limited  
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### **Report on the audit of the Financial Statements (continued)**


*Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

- 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.
- 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 presents a true and fair view.

We communicate with the Board of Directors 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.

*Report on additional matters 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 purpose of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examinations of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner so required.

  
**Chartered Accountants**  
Kingston, Jamaica  
5 October 2020

# Future Energy Source Company Limited

## Statement of Financial Position As at 31 March 2020

		2020	2019
		\$	\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	128,621,681	137,190,890
Right-of-use assets	7	5,824,258	-
Finance lease	8	13,809,106	-
		148,255,045	137,190,890
<b>Current Assets</b>			
Inventories	9	13,596,947	8,422,209
Receivables	10	129,971,728	138,269,635
Due from related parties	11	40,930,081	13,328,792
Taxation recoverable		188,898	74,699
Current portion of finance lease	8	2,272,262	-
Cash and cash equivalents	12	138,661,460	89,313,486
		325,621,376	249,408,821
<b>TOTAL ASSETS</b>		473,876,421	386,599,711
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Share capital	13	900	900
Retained earnings		205,461,743	100,690,071
		205,462,643	100,690,971
<b>Non-Current Liabilities</b>			
Long-term loan	14	36,654,037	47,913,491
Lease liabilities	7	2,678,516	-
Due to related parties	11	18,053,450	55,880,143
		58,063,032	104,150,957

# Future Energy Source Company Limited

## Statement of Financial Position As at 31 March 2020

		<u>2020</u>	<u>2019</u>
		\$	\$
<b>Current Liabilities</b>			
Payables	16	167,181,530	162,275,644
Current portion of long-term loan	14	11,212,373	10,404,634
Current portion of lease liabilities	7	2,994,757	-
Taxation		28,962,086	9,077,505
		<u>210,350,746</u>	<u>181,757,783</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>473,876,421</u>	<u>386,599,711</u>

Approved for issue by the Board of Directors on 5 October 2020 and signed on its behalf by:

  
Lyden Heaven Director

  
Errol McGaw Director



## Future Energy Source Company Limited

### Statement of Comprehensive Income Year ended 31 March 2020

	Note	2020 \$	2019 \$
<b>Turnover</b>	17	5,936,346,825	5,434,246,867
Cost of sales		(5,758,006,328)	(5,348,995,804)
<b>Gross profit</b>		178,340,497	85,251,063
Other income	18	-	257,511
<b>Total income</b>		178,340,497	85,508,574
Operating and administrative expenses	19	(54,042,768)	(37,764,007)
Impairment losses on financial assets	5a	(487,423)	(2,539,346)
<b>Operating profit</b>	20	123,810,306	45,205,221
Finance income, net	21	12,985,174	4,950,963
<b>Profit before taxation</b>		136,795,480	50,156,184
Taxation	23	(32,023,808)	(10,463,509)
<b>Net profit for the year, being total comprehensive income</b>		104,771,672	39,692,675

## Future Energy Source Company Limited

### Statement of Change in Equity Year ended 31 March 2020

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
<b>Balances at 31 March 2018</b>	900	63,750,936	63,751,836
Adjustment on initial application of IFRS 9	-	(2,753,540)	(2,753,540)
Adjusted balances at 1 April 2018	900	60,997,396	60,998,296
Total comprehensive income	-	39,692,675	39,692,675
<b>Balances at 31 March 2019</b>	900	100,690,071	100,690,971
Total comprehensive income	-	104,771,672	104,771,672
<b>Balances at 31 March 2020</b>	900	205,461,743	205,462,643

## Future Energy Source Company Limited

### Statement of Cash Flows Year ended 31 March 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>		
<b>Operating Activities</b>		
Profit before taxation	136,795,480	50,156,184
Adjustments for:		
Depreciation	1,470,805	2,266,860
Amortization on right-of-use asset	1,916,053	-
Impairment losses on financial assets	487,423	2,539,346
Foreign exchange gain	(3,742,371)	-
Gain on disposal of property, plant and equipment	-	(257,511)
Lease interest expense	422,525	-
Interest income	(13,693,006)	(5,673,642)
Interest expense	4,027,678	722,679
	<u>127,684,587</u>	<u>49,753,916</u>

## Future Energy Source Company Limited

### Statement of Cash Flows Year ended 31 March 2020

	2020	2019
	\$	\$
Changes in operating assets and liabilities: -		
Increase in inventories	(5,174,738)	-
Decrease/(increase) in receivables	7,810,484	(50,234,686)
Increase in payables	3,777,436	49,919,309
Due to related parties, net	(65,427,982)	49,060,275
Cash provided by operating activities	68,669,787	98,498,814
Income tax paid	(11,933,720)	(11,842,781)
Interest received	13,693,006	5,673,642
Interest paid	(4,450,203)	(722,679)
Cash provided by operating activities	65,978,870	91,606,996
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(1,717,575)	(118,465,672)
Proceeds from disposal of property, plant and equipment	8,815,979	957,511
Cash provided by/(used in) investing activities	7,098,404	(117,508,161)
<b>Financing Activities</b>		
Long term loans, net	(10,451,715)	58,318,125
Lease principal payments	(2,067,038)	-
Finance lease receivable, net	(16,081,368)	-
Cash (used in)/provided by financing activities	(28,600,121)	58,318,125

## Future Energy Source Company Limited

### Statement of Cash Flows Year ended 31 March 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
Net increase in cash and cash equivalents during year	44,477,153	32,416,960
Effect of foreign exchange on cash and bank	4,870,821	
Cash and cash equivalents at the beginning of the year	89,313,486	56,896,526
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>138,661,460</u>	<u>89,313,486</u>
<b>Represented by:</b>		
Cash at bank	<u>138,661,460</u>	<u>89,313,486</u>

\*During the year, fixed assets held in storage were transfer to inventories at net book value.



# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2020

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### 1. Identification and Principal Activities

Future Energy Source Company Limited is private limited company incorporated and domiciled in Jamaica under the provisions of the Companies Act on February 4, 2013. The company commenced trading December 9, 2013. The registered place of business is located at 13 Paraiso Avenue, Kingston 10, St. Andrew.

The company carries on the business of trade marketing in petroleum and automotive products.

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. They are also prepared in accordance with the provisions of the Jamaican Companies Act.

The financial statements comprise the statement of comprehensive income, the statement of financial position, 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.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 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**

New standards impacting the company that have been adopted in the annual financial statements for the year ended 31 March 2020, and which have given rise to changes in the company's accounting policies are:

**IFRS 16 'Leases'**, specifies how an IFRS reporter will recognise, measure, present and disclose leases. IFRS 16 was issued January 2016 and became effective 1 January 2019. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It resulted in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed.

Adoption of IFRS 16 resulted in the company recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. The only exceptions are short-term (less than 12 months) and low-value leases. The company applied the standard from its mandatory adoption date of 1 April 2019. The company elected to adopt the modified retrospective approach and have not restated comparative amounts for the year prior to first adoption. Right-of-use assets were measured at the amount of the lease liability and adoption (adjusted for any prepaid or accrued lease expenses). Commitments relating to short-term leases and low value leases will continue to be recognised on a straight-line basis as expense in profit and loss.

For leases previously classified as operating leases, under previous accounting requirements the company did not recognise related assets or liabilities, and instead had spread the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

Under IFRS 16, instead of recognising an operating expense for its operating lease payments, the company has instead recognised interest on its lease liabilities and amortisation on its right-of-use assets. Operating cash flows increased, and financing cash flows decreased as repayment of the principal portion of the lease liabilities have been classified as cash flows from financing activities.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

#### (b) Basis of preparation (continued)

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

**Amendments to IFRS 9 'Financial Instruments', 'Prepayment Features with Negative Compensation'** (effective for annual periods beginning on or after 1 January 2019). Under the current IFRS 9 requirements, the solely for payments of principal and interest (SPPI) condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain). 'Prepayment Features with Negative Compensation' amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the company's model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The final amendments also contain (in the Basis for Conclusions) a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortised cost amount.

**Amendments to IAS 19, 'Employee benefits'** on 'plan amendment, curtailment or settlement' (effective for annual period beginning on or after 1 January 2019). These amendments require an entity to: use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. Entities should also separately recognise any changes in the asset ceiling through other comprehensive income.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 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)

**IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 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)**

**Annual improvements to IFRS 2015 - 2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23** (effective for annual periods beginning on or after 1 January 2019). The amendments to IFRS 3 clarifies that obtaining control of a company that is a joint operation is a company combination achieved in stages. Amendments to IFRS clarified that the party obtaining joint control of a company that is a joint operation should not remeasure its previously held interest in the joint operation. The amendments to IAS 12 clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

##### **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.

**IFRS 17, 'Insurance Contracts'**, (effective for annual periods beginning on or after 1 January 2021). In May 2017, the IASB issued IFRS 17 which replaces the current guidance in IFRS 4. Under IFRS 17, insurance liabilities are to be measured at a current fulfilment value. The standard also provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.



## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 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 (continued)**

**Definition of a Company – Amendments to IFRS 3** (effective for Company combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020). The amended definition of a company requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

**Definition of Material (Amendments to IAS 1 and IAS 8)** The amendments clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards. The amendment further clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses material in the context of the financial statements as a whole. The standard also states that the meaning of ‘primary users of general-purpose financial statements’ to whom those financial statements are directed, by defining this as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 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 (continued)**

**Revised Conceptual Framework for Financial Reporting** (effective for annual periods beginning on or after 1 January 2020). The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. These new standards include increasing the prominence of stewardship in the objective of financial reporting. It also includes changes in reinstating prudence as a component of neutrality. Further key changes include defining a reporting entity, which may be a legal entity, or a portion of an entity and revising the definitions of an asset and a liability as well as removing the probability threshold for recognition and adding guidance on de-recognition.

The standard further includes changes to adding guidance on different measurement basis and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The standard clarifies that no changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

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 2020

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### 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 translated 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 value of the assets over their expected useful lives. The rates used to write off the cost of assets are as follows:

Furniture, fixtures and equipment	10%
Signage	10%
Computers	20%

Land is not depreciated.

Gains and losses on disposal 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.

**(e) 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.

# Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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## 2. Summary of significant accounting policies (continued)

### (f) 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 aging.

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.

### (g) 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.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

#### (h) 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.

#### (i) 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, 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.

#### (j) 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.



## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

#### (k) 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.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

#### (l) 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.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

#### (m) Financial Instruments

##### Classification

From 1 April 2019, 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.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

#### (m) 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**

From 1 April 2019, 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.

# Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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## 2. Summary of significant accounting policies (continued)

### (n) 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.

### (o) Lease

#### As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.



## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

**(p) Lease Liabilities and Right-of-use assets**

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.

IFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 3 for 'changes in accounting policies'. The following policies apply subsequent to the date of initial application, 1 April 2019.

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's 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.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

#### (p) Lease Liabilities and Right-of-use assets (continued)

Right of use assets are initially measured at the amount of the lease liability, 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 renegotiated 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

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 2. Summary of significant accounting policies (continued)

#### (p) Leases Liabilities and Right-of-use assets (continued)

- applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- 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.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

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#### 3. Effect of changes in accounting policies

The company adopted IFRS 16 with a transition date of April 1, 2019. This note explains the impact of the adoption on the company's financial statements.

As indicated in note 2(a), the company has adopted IFRS 16 Leases from 1 April 2019, and has chosen not to restate comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 2(p).

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The company has leasing activities where they are the lessors.

##### i) Transition method and practical expedients utilised

The company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 April 2019), without restatement of comparative figures. The company elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

For leases previously classified as finance leases the company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

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#### 3. Effect of changes in accounting policies (continued)

##### i) Transition method and practical expedients utilised (continued)

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- (a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- (c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application;
- (d) Use hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- (e) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the company recognizes right-of-use assets and lease liabilities for most leases. However, the company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

##### ii) Measurement of the right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount for any prepaid or accrued lease payments relating to that lease, subject to the practical expedients noted above.

##### iii) Measurement of lease liabilities

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 10% for property lease.



## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 3. Effect of changes in accounting policies (continued)

##### iii) Measurement of lease liabilities (continued)

The following table reconciles the minimum lease commitments of the business as at 31 March 2019 to the amount of lease liabilities recognised on 1 April 2020.

	<u>1 April 2019</u>
	\$
Operating lease commitments as at 31 March 2019	8,641,718
Less: effect of discounting using the incremental borrowing rate at the date of initial application	<u>(901,407)</u>
Lease liability as at 1 April 2019	<u>7,740,311</u>
Of which are:	
Current lease liabilities	2,067,038
Non-current lease liabilities	<u>5,673,273</u>
	<u>7,740,311</u>

##### iv) Adjustments recognised in the balance sheet on 1 April 2019

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 April 2019:

	Notes	<u>31 March 2019</u>	<u>IFRS 16</u>	<u>1 April 2019</u>
		\$	\$	\$
<u>Assets</u>				
Right-of-use assets	(a)	-	7,740,311	7,740,311
<u>Liabilities</u>				
Lease liabilities	(b)	-	7,740,311	7,740,311

##### a) The adjustment to right-of-use assets is as follows:

	\$
Operating type leases	<u>7,740,311</u>
Right-of-use assets	<u>7,740,311</u>

##### b) Lease liabilities adjusted for \$7,740,311. See reconciliation above.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 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.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 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 2020

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#### 5. 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 and liquidity risk. 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.

##### (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 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.

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 5. 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 director's account and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

#### Trade receivables and contract assets

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2020 or 1 April 2019 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 2020

### 5. Financial risk management (continued)

#### (a) Credit risk (continued)

On that basis, the loss allowance as at 31 March 2020 and 1 April 2019 (on adoption of IFRS 9) was determined as follows for both trade receivables and contract assets:

31 March 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	4.6%	4.6%	4.6%	4.6%	4.6%
Gross carrying amount – trade receivables	82,541,992	-	-	43,577,895	126,119,887
Loss allowance	3,783,053	-	-	1,997,256	5,780,309
<hr/>					
1 April 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	4%	4%	4%	4%	4%
Gross carrying amount – trade receivables	101,280,310	-	-	31,041,853	132,322,163
Loss allowance	4,051,213	-	-	1,241,673	5,292,886

## Future Energy Source Company Limited

### Statement of Cash Flows Year ended 31 March 2020

#### 5. Financial risk management (continued)

##### (b) Credit risk (continued)

The closing loss allowances for trade receivables as at 31 March 2019 reconcile to the opening loss allowances as follows:

	<u>Trade receivables</u>	<u>Trade receivables</u>
	<u>2019</u>	<u>2018</u>
	\$	\$
31 March – calculated under IAS 39	-	-
Amounts restated through opening retained earnings	-	2,753,540
Opening loss allowance as at 1 April 2019 – calculated under IFRS 9	5,292,886	2,753,540
Increase in loss allowance recognised in profit or loss during the year	487,423	2,539,346
At 31 March 2020	<u>5,780,309</u>	<u>5,292,886</u>

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.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

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#### 5. Financial risk management (continued)

##### (a) Credit risk (continued)

Impairment losses on trade receivables and contract assets 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 2020 there were no lifetime expected credit losses of the full value of the receivables.

##### *Previous accounting policy for impairment of trade receivables*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

##### *Other financial assets at amortised cost*

Other financial assets at amortised cost include loans to related parties and key management personnel and other receivables.

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

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

### 5. Financial risk management (continued)

#### (a) Credit risk (continued)

##### Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2020	2019
	\$	\$
Impairment losses		
- movement in loss allowance for trade receivables	487,423	2,539,346
Net impairment losses on trade receivables	<u>487,423</u>	<u>2,539,346</u>

#### (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 2020

#### 5. Financial risk management (continued)

##### (b) Liquidity risk

##### 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
	\$	\$	\$	\$	\$
	<b>2020</b>				
Long term loan	3,306,831	10,820,492	40,877,415	55,004,738	47,866,410
Lease liability	834,784	2,504,353	2,813,017	6,152,154	5,673,273
Payables	167,181,530	-		167,181,530	167,181,530
Due to related parties		-	18,053,450	18,053,450	18,053,450
	171,323,145	13,324,845	61,743,882	246,391,872	238,774,663
	<b>2019</b>				
Long term loan	3,306,831	10,820,492	55,304,738	69,432,061	58,318,125
Payables	162,275,644	-		162,275,644	162,275,644
Due to related parties	-	-	55,880,143	55,880,143	55,880,143
	165,582,475	10,820,492	111,184,881	287,587,848	276,473,912

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

##### (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 foreign interest rates (5(d)) and foreign currency risk (5(f)). 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 it manages and measures the risk.



## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 5. Financial risk management (continued)

##### (d) 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
	\$	\$	\$	\$	\$	\$
<b>2020</b>						
<b>Assets</b>						
Finance lease	189,355	568,066	1,514,841	13,809,106	-	16,081,368
Receivables	-	-	-	-	129,971,728	129,971,728
Due from related parties	-	-	-	-	40,930,081	40,930,081
Cash and cash equivalents	4,837,884	-	95,507,460	-	38,316,116	138,661,460
Total financial assets	5,027,239	568,066	97,022,301	13,809,106	209,217,925	325,644,637
<b>Liabilities</b>						
Long term loan	902,679	2,742,029	7,567,665	36,654,037	-	47,866,410
Lease liabilities	231,815	731,500	2,031,442	2,678,516	-	5,673,273
Due to related parties	-	-	-	-	18,053,450	18,053,450
Payables	-	-	-	-	167,181,530	167,181,530
Total financial liabilities				39,332,5		
	1,134,494	3,473,529	9,599,107	53	185,234,980	238,774,663
Total interest re- pricing gap	3,892,745	(2,905,463)	87,423,194	(25,523,44 7)	23,982,945	86,869,974

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 5. Financial risk management (continued)

##### (d) Interest rate risk

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Non-interest bearing	Total
	\$	\$	\$	\$	\$	\$
<b>2019</b>						
<b>Assets</b>						
Receivables	-	-	-	-	138,269,635	138,269,635
Due from related parties	-	-	-	-	13,328,792	13,328,792
Cash and cash equivalents	1,212,782	-	69,809,992	-	18,290,712	89,313,486
Total financial assets	1,212,782	-	69,809,992	-	169,889,139	240,911,913
<b>Liabilities</b>						
Long-term loan	837,650	2,544,494	7,022,490	47,913,491	-	58,318,125
Due to related parties	-	-	-	-	55,880,143	55,880,143
Payables	-	-	-	-	162,275,644	162,275,644
Total financial liabilities	837,650	2,544,494	7,022,490	47,913,491	218,155,787	276,473,912
Total interest re- pricing gap	375,132	(2,544,494)	62,787,502	(47,913,491)	(48,266,648)	(35,561,999)

##### (e) 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, directors accounts and payables reflect their approximate fair values because of the short-term maturity of these instruments. Long term loan approximates amortized costs. The fair value of due from related parties and directors' loan cannot be reasonably assessed as there is no fixed repayment date

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 5. Financial risk management (continued)

##### (f) 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: -

	<u>2020</u>	<u>2019</u>
	\$	\$
Cash at bank and cash equivalents	100,325,706	71,022,775
	<u>2020</u>	<u>2019</u>
<b>Currency</b>		
USD	757,018	574,741
Rate of exchange	<u>JMD 132.53</u>	<u>JMD 123.57</u>

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 2020	Effect on Net Surplus 2020	Change in currency rate 2019	Effect on Net Surplus 2019
				\$
US\$	+2	(2,006,514)	+4	(2,840,911)
US\$	-6	6,019,542	-6	4,261,367

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 6. Property, plant and equipment

	Land	Furniture, fixtures & equipment	Computer equipment & software	Signage	Total
	\$	\$	\$	\$	\$
Cost -					
1 April 2018	-	31,739,124	389,320	3,820,984	35,949,428
Additions	105,380,262	11,780,672	84,499	1,220,239	118,465,672
Disposals	-	(700,000)	-	-	(700,000)
*Adjustment	-	(10,648,566)	-	-	(10,648,566)
31 March 2019	105,380,262	32,171,230	473,819	5,041,223	143,066,534
Additions	-	105,020	273,996	1,338,559	1,717,575
*Adjustment	-	(7,642,893)	-	(1,192,542)	(8,835,435)
31 March 2020	105,380,262	24,633,357	747,815	5,187,240	135,948,674
Depreciation -					
31 March 2018	-	5,059,978	389,319	385,844	5,835,141
Charge for year	-	1,943,902	27,483	295,475	2,266,860
*Adjustment	-	(2,226,357)	-	-	(2,226,357)
31 March 2019	-	4,777,523	416,802	681,319	5,875,644
Charge for year	-	1,216,668	17,757	236,380	1,470,805
*Adjustment	-	(19,456)	-	-	(19,456)
31 March 2020	-	5,974,735	434,559	917,699	7,326,993
Net Book Value -					
31 March 2020	105,380,262	18,658,622	313,256	4,269,541	128,621,681
31 March 2019	105,380,262	27,393,707	57,017	4,359,904	137,190,890

\*This represents inventory items such as pumps and other equipment which were incorrectly classified under property, plant and equipment. These amounts have been written-off to cost of goods sold in the Statements of Comprehensive Income.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 7. Leases

##### (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

	<u>Property</u>	<u>Motor vehicles</u>	<u>Total</u>
	\$	\$	\$
1 April 2019	2,942,505	4,797,806	7,740,311
Amortization	<u>(1,059,302)</u>	<u>(856,751)</u>	<u>(1,916,053)</u>
31 March 2020	<u>1,883,203</u>	<u>3,941,055</u>	<u>5,824,258</u>

##### Lease liabilities

	<u>2020</u>	<u>2019</u>
	\$	\$
Current	2,994,757	-
Non-current	<u>2,678,516</u>	<u>-</u>
31 March 2020	<u>5,673,273</u>	<u>-</u>

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

### 8. Finance lease

	<u>2020</u>	<u>2019</u>
	\$	\$
Gross investment in finance leases:		
Current portion	3,944,159	-
Non-current portion	18,060,459	-
	<u>22,004,618</u>	<u>-</u>
Less: unearned finance income	(5,923,250)	-
	<u>16,081,368</u>	<u>-</u>
Represented by: -		
Current portion	2,272,262	-
Non-current portion	13,809,106	-
	<u>16,081,368</u>	<u>-</u>

### 9. Inventories

	<u>2020</u>	<u>2019</u>
	\$	\$
Pumps and service station supplies	<u>13,596,947</u>	<u>8,422,209</u>



## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 10. Receivables

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade receivables	126,119,887	132,322,163
Other	9,632,151	11,240,358
	<u>135,752,038</u>	<u>143,562,521</u>
Less: Impairment provision	(5,780,310)	(5,292,886)
	<u><u>129,971,728</u></u>	<u><u>138,269,635</u></u>

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

### 11. Due from/(to) related parties

	<u>2020</u>	<u>2019</u>
	\$	\$
Due from related parties:		
Coore's Limited	5,481,162	-
Mackville Car Rentals Limited	31,333,544	-
Alwil Company Limited	-	2,560,029
Petromac Servicentre Limited	4,115,375	10,768,763
	(a) <u>40,930,081</u>	<u>13,328,792</u>
Due to related parties:		
T.M.&T. Associates Limited	(53,450)	(10,553,775)
Coore's Limited	-	(29,181,593)
Mackville Car Rentals Limited	-	(1,144,775)
	(a) <u>(53,450)</u>	<u>(40,880,143)</u>
Directors' loans	(b) <u>(18,000,000)</u>	<u>(15,000,000)</u>
	<u>(18,053,450)</u>	<u>(55,880,143)</u>
	<u>22,876,631</u>	<u>(42,551,351)</u>

(a) These companies, T. M. &T. Associates Limited, Coore's Limited, Mackville Car Rentals Limited, Alwil Company Limited and Petromac Servicentre Limited are companies related by common shareholders and directors. These balances are unsecured, interest free and have no fixed repayment terms.

(b) This balance represents amounts advanced to the company by the directors. The balance is unsecured, interest free and has no fixed repayment terms.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 12. Cash and cash equivalents

	<u>2020</u>	<u>2019</u>
<b>Short term deposits</b>	<b>\$</b>	<b>\$</b>
Barita Investments Limited	13,372,114	19,200,000
NCB Capital Markets Limited	82,115,708	50,609,992
MF&G Trust & Finance Limited	19,638	-
	<u>95,507,460</u>	<u>69,809,992</u>
<b>Cash at bank</b>		
National Commercial Bank Jamaica Limited	26,914,214	18,290,711
National Commercial Bank Jamaica Limited (USD)	4,345,067	1,212,783
Bank of Nova Scotia Jamaica Limited	11,401,902	-
Bank of Nova Scotia Jamaica Limited (USD)	492,817	-
	<u>43,154,000</u>	<u>19,503,494</u>
	<u>138,661,460</u>	<u>89,313,486</u>

- i. Short term deposits are held at licensed financial institutions and attract interest at 2% - 4% 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 collateralised 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. 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.

Cash at bank substantially comprise non-interest-bearing operating accounts at licensed commercial banks in Jamaica.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 13. Share capital

	<u>2020</u>	<u>2019</u>
	\$	\$
Authorised, issued and fully paid 900 ordinary shares at no par value.	900	900

#### 14. Long term loan

	<u>2020</u>	<u>2019</u>
	\$	\$
MF&G Trust & Finance Limited	47,866,410	58,318,125
Less: Current portion	(11,212,373)	(10,404,634)
	<u>36,654,037</u>	<u>47,913,491</u>

This loan, was received on 7<sup>th</sup> January 2019 for the purchase of lands located at Beechwood Avenue and Park Avenue Kingston 5. The loan attracts interest of 7.5% per annum and is repayable over 60 equal monthly instalments of \$1,202,277.

The loan is secured by the following:

First legal mortgage over the undernoted parcels of real estate:

- 7 Beechwood Ave, Kingston 5 registered volume 1115 Folio 183
- 9 Beechwood Ave, Kingston 5 registered volume 1202 Folio 754
- 8 Park Ave, Kingston 5 registered volume 1511 Folio 543

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 15. Deferred income taxes

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Deferred income tax liabilities	<u>(677,029)</u>	<u>(357,323)</u>
Balance at end of year	<u><u>(677,029)</u></u>	<u><u>(357,323)</u></u>

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Balance at start of year	(357,323)	(1,606,785)
Deferred income (charged)/credited to the statement of comprehensive income; (Note 23)	<u>(319,706)</u>	<u>1,249,462</u>
Balance at end of year	<u><u>(677,029)</u></u>	<u><u>(357,323)</u></u>

Deferred income tax liabilities are attributable to the following items:

	<u>2020</u>	<u>2019</u>
	\$	\$
Deferred income liabilities:		
Decelerated tax depreciation	<u>(677,029)</u>	<u>(357,323)</u>
Net liabilities at end of year	<u><u>(677,029)</u></u>	<u><u>(357,323)</u></u>

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2020

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### 15. Deferred income taxes (continued)

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Deferred tax liabilities to be settled:		
- after more than 12 months	(677,029)	(357,323)
- within 12 months	-	-
	<u>(677,029)</u>	<u>(357,323)</u>



## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 16. Payables

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade payables	157,665,613	160,353,345
Accruals	9,515,917	1,922,299
	<u>167,181,530</u>	<u>162,275,644</u>

#### 17. Turnover

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

#### 18. Other income

	<u>2020</u>	<u>2019</u>
	\$	\$
Gain on disposal of property, plant & equipment	-	257,511
	<u>-</u>	<u>257,511</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 19. Expenses by nature

	<u>2020</u>	<u>2019</u>
	\$	\$
Accounting fee	250,000	-
Advertising and promotion	5,653,263	4,405,310
Audit fee	1,650,000	1,500,000
Bank charges	473,699	3,001,151
Depreciation	1,470,805	2,266,860
Amortization of right of use asset	1,916,053	-
Directors' fee	4,250,000	-
Donation	1,319,746	183,500
Office expenses	2,555,325	2,553,544
Legal & professional fees	8,049,427	4,024,403
Rent expense	-	1,346,625
Repairs and maintenance	1,905,668	1,149,092
Staff costs (Note 22)	20,654,275	14,849,486
Utilities	1,155,179	1,191,072
Other expenses	2,739,328	1,292,964
	<u>54,042,768</u>	<u>37,764,007</u>
Impairment losses in financial assets	487,423	2,536,346
Cost of inventories recognised as expense	5,758,006,328	5,348,995,804
Finance income, net; (Note 21)	(12,985,174)	(4,950,963)
	<u>5,799,551,345</u>	<u>5,384,345,194</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 20. Operating profit

In arriving at the operating profit, the following have been charged/(credited):

	<u>2020</u>	<u>2019</u>
	\$	\$
Auditors' remuneration	1,650,000	1,500,000
Depreciation	1,470,805	2,266,860
Amortization of right of use asset	1,916,053	-
Directors' fee	4,250,000	-
Impairment losses on financial assets	487,423	2,539,346
Gain on disposal of property, plant and equipment	-	(257,511)
Staff costs; (Note 22)	<u>20,654,275</u>	<u>14,849,486</u>

#### 21. Finance income, net

	<u>2020</u>	<u>2019</u>
	\$	\$
Foreign exchange gain, net	(3,742,371)	-
Interest income	(13,693,006)	(5,673,642)
	<u>(17,435,377)</u>	<u>(5,673,642)</u>
Lease interest expense	422,525	-
Interest expense	4,027,678	722,679
	<u>(12,985,174)</u>	<u>(4,950,963)</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 22. Staff costs

	<u>2020</u>	<u>2019</u>
	\$	\$
Salaries and wages	16,053,413	11,345,042
Statutory deductions	1,570,707	951,888
Staff welfare	3,027,655	2,075,783
Casual labour	2,500	476,773
	<u>20,654,275</u>	<u>14,849,486</u>
Number of persons employed at the end of the year:		
Full Time	<u>6</u>	<u>4</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 23. Taxation

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Income tax at appropriate rate	31,704,102	11,652,971
Minimum business tax	-	60,000
Deferred income taxes (Note 15)	319,706	(1,249,462)
	<u>32,023,808</u>	<u>10,463,509</u>

Under the Provisional Collection of Tax Act, the Minimum Business Tax Order, 2014, enacted a new minimum tax of \$60,000 per annum commencing in the year of assessment 2014. The Minimum Business Tax paid can be credited towards the Income Tax Payable for the year of assessment, provided that the income tax liability is greater than the minimum tax. This tax type was abolished, effective 1 April 2019.

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:

	<u>2020</u>	<u>2019</u>
	\$	\$
Profit before taxation	<u>136,795,480</u>	<u>50,156,184</u>
Tax calculated at a tax rate of 25%	34,198,870	12,539,046
Adjusted for the effects of:		
Minimum Business Tax	-	(60,000)
Expense/(income) not allowable for tax purposes	221,464	(1,165,901)
Employee tax credit	(2,396,526)	(849,636)
	<u>32,023,808</u>	<u>10,463,509</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

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#### 24. 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.



## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

#### 24. Related party transactions (continued)

	<u>2020</u>	<u>2019</u>
	\$	\$
At the statement of financial position date: -		
Due from related parties:		
Coore's Limited	5,481,162	-
Mackville Car Rentals Limited	31,333,544	-
Alwil Company Limited	-	2,560,029
Petromac Servicentre Limited	4,115,375	10,768,763
	<u>40,930,081</u>	<u>13,328,792</u>
Due to related parties:		
T.M.&T. Associates Limited	(53,450)	(10,553,775)
Coore's Limited	-	(29,181,593)
Mackville Car Rentals Limited	-	(1,144,775)
	<u>(53,450)</u>	<u>(40,880,143)</u>
Directors' loans	<u>(18,000,000)</u>	<u>(15,000,000)</u>
	<u>(18,053,450)</u>	<u>(55,880,143)</u>
	22,876,631	(42,551,351)
Charged to statement of comprehensive income: -		
Directors' fees	4,250,000	-
Sales to related parties	<u>(3,357,792,312)</u>	<u>(3,279,281,149)</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2020

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#### 25. Contingencies

Prior to the reporting date, the World Health Organisation declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread across the globe. Jamaica has been affected by the outbreak, which resulted in the Government of Jamaica declaring Jamaica a disaster area on March 13, 2020. This has disrupted business operations, caused a downturn in the economy and significantly increased economic uncertainty.

Accordingly, the company expects this to have an impact on its operations. However, due to the unavailability of sufficient information an estimate of the amount was not made as at the authorisation date of the financial statements.

## APPENDIX 6: FIVE YEAR FINANCIAL PROJECTIONS APRIL 1, 2020 TO MARCH 31, 2025

**Future Energy Source Company Limited**

**Five Year Financial Projections**

**1 April 2020 – 31 March 2025**

**FUTURE ENERGY SOURCE COMPANY LIMITED**

**5 YEAR FINANCIAL PROJECTIONS**

**1 April 2020 - 31 March 2025**

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To the Directors of  
Future Energy Source Company Limited  
13 Paraiso Avenue  
Kingston 10

14 Ruthven Road  
Kingston 10  
Jamaica

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

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

Dear Sirs:

**Re: Auditors' Report on the Projected Financial information that will be included in the Prospectus to be Issues by Future Energy Source Company Limited**

---

Baker Tilly has been engaged by Future Energy Source Company Limited to prepare this report for inclusion in the Prospectus issued by Future Energy Source Company Limited, dated 15 January 2021, in respect of the proposed offer by subscription of the ordinary shares under Section 40 (2) of the Companies Act.

Expressions defined in the Prospectus have the same meaning in this report.

**Projected financial information**

Baker Tilly has been requested to prepare a report covering the prospective financial information described below and disclosed in the Prospectus.

The directors' prospective financial information is set out in section 9 and 11 of the Prospectus and comprises the projected statement of financial position, project statement of comprehensive income, project statement of cash flows and the accompanying notes of Future Energy Source Company Limited for the years ending 31 March 2021 to 31 March 2025.

ADVISORY • ASSURANCE • TAX

PARTNERS: Wayne Strachan; FCA;FCCA;MBA Emile Lafayette; FCA;FCCA;MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA;FCCA;MBA

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Baker Tilly Strachan Lafayette trading as BakerTilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

To the Directors of  
Future Energy Source Company Limited  
13 Paraiso Avenue  
Kingston 10  
Page 2

**Projected financial information (continued)**

The directors of Future Energy Source Company Limited are responsible for the presentation of the directors' prospective information, including the assumptions on which the directors' projection is based.

The directors' prospective information has been prepared by the directors to provide Applicants with a guide to Future Energy Source Company Limited's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. The directors' assumption underlying the directors' projection are set out in section 11 of the Prospectus.

There is a considerable degree of judgement involved in the preparation of any prospective information. Consequently, the actual results of Future Energy Source Company Limited during the projected period may vary materially from the directors' projections, and that variation may be materially positive or negative.

The directors' projection is sensitive to changes in key assumption set out in section 11 of the Prospectus and the risk to which the business of Future Energy Source Company Limited is exposed are set out in section 12 of the Prospectus. Applicants should consider the directors' projection in conjunction with those sections.

The directors' projection is presented in an abbreviated form and does not include all of the disclosures required by International Financial Reporting Standards applicable to annual financial reports prepared in accordance with Companies Act.

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To the Directors of  
Future Energy Source Company Limited  
13 Paraiso Avenue  
Kingston 10  
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**Scope of examination of directors' projection and directors' hypothetical assumptions**

We have been engaged to examine the directors' prospective financial information under International Standard on Assurance Engagements 3400. Our procedures have consisted primarily of enquiry and comparison, and other analytical review procedures as we consider necessary.

We have examined the prospective financial information to be included in the prospectus in accordance with International Standard on Assurance Engagements 3400 (Examination of Prospective Financial Information).

Our examination of the directors' projection and hypothetical assumptions is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. A review of this nature provides less assurance than an audit. We did not perform an audit and we do not express an audit opinion on the directors' projection, or the directors' hypothetical assumptions.

The directors are responsible for the preparation and presentation of the prospective financial information, including the assumptions on which the prospective financial information is based. The projections have been prepared using a set of assumptions including hypothetical assumptions about future events and management's actions that may not necessarily occur. Consequently, readers are cautioned that the projections may not be appropriate for purposes other than that described.

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To the Directors of  
Future Energy Source Company Limited  
13 Paraiso Avenue  
Kingston 10  
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#### **Examination statement on the directors' projection and the directors' hypothetical assumptions**

Based on our examination of the evidence supporting the assumptions, which is not an audit, nothing has come to our attention which causes us to believe that:-

- The directors' assumptions, set out in section 11 of the Prospectus, when taken as a whole, do not provide a reasonable basis for the preparation of the directors' projections; and that
- The directors' projections, set out in section 11 of Prospectus, are not properly prepared on the basis of the directors' assumptions or presented fairly in accordance with the recognition and measurement principles prescribe in International Financial Reporting Standards.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of Future Energy Source Company Limited. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the projections since other anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we do not confirm or guarantee the achievement of the directors' projections, as future events, by their very nature, are not capable of independent substantiation.

#### **Independence**

Baker Tilly does not have any interest in the outcome of the issue, other than in connection with the preparation of this report, for which normal professional fees will be received. Baker Tilly also provides external audit and taxation advisory services to Future Energy Source Company Limited for which profession fees are received.

Baker Tilly has consented to the inclusion of this Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorized the issue of the Prospectus. Accordingly, Baker Tilly makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

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To the Directors of  
Future Energy Source Company Limited  
13 Paraiso Avenue  
Kingston 10  
Page 5

**General advice warning**

The report has been prepared, and included in the Prospectus, to provide Applicants with general information only and does not take into account the objectives, financial situation or need of any specific Applicant. It is not intended to take the place of professional advice and Applicants should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an Applicant should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

All Applicant should consider the appropriateness of this general advice having regard to their own objectives, financial situation and needs before they act on any advice contained in the report.

**Declaration of Relationship**

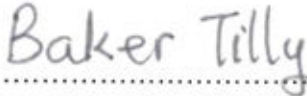
We will receive a fee as compensation for our services in providing this report. Baker Tilly has not been involved as a financial advisor to Future Energy Source Company Limited and has been retained solely with respect to the review of the Future Energy Source Company Limited prospective financial information.

Baker Tilly has performed its examination of the prospective financial information in an independent manner with access to management information and reports.

Except for the fees referred to above, neither Baker Tilly, nor its representative, or any of its employees, involved in the provision of the report, receive any pecuniary or other benefits, directly or indirectly, for or in connection with, the provision of Accountants' Report.

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we provide.

Yours truly,

  
.....  
**Chartered Accountants**  
Kingston, Jamaica  
14 January 2021

5 YEAR FINANCIAL PROJECTIONS  
SUMMARY OF STATEMENT OF COMPREHENSIVE INCOME

	AUDITED 2020 \$	Projected 2021 \$	Projected 2022 \$	Projected 2023 \$	Projected 2024 \$	Projected 2025 \$
<b>Turnover</b>	5,936,346,825	6,870,697,443	10,573,719,863	11,455,516,779	12,035,124,788	12,599,052,428
<b>Cost of Sales</b>	(5,758,006,328)	(6,648,843,242)	(10,129,829,802)	(10,858,668,886)	(11,398,094,260)	(11,928,143,256)
<b>Gross profit</b>	178,340,497	221,854,201	443,890,061	596,847,893	637,030,528	670,909,172
General and administrative	(54,042,768)	(81,377,579)	(181,842,041)	(233,348,215)	(235,983,761)	(244,020,193)
Impairment losses on financial assets	(487,423)	169,691	(3,023,892)	(720,076)	(473,308)	(460,504)
	(54,530,191)	(81,207,888)	(184,865,933)	(234,068,291)	(236,457,069)	(244,480,697)
<b>Profit before Interest and Taxation</b>	123,810,306	140,646,313	259,024,128	362,779,602	400,573,459	426,428,475
<b>Finance income, net</b>						
Loan interest expense	(4,450,203)	(4,513,956)	(11,043,759)	(16,597,881)	(14,138,480)	(12,195,778)
Finance income	17,435,377	15,179,891	15,925,808	15,775,538	15,607,139	15,418,572
	12,985,174	10,665,935	4,882,049	(822,343)	1,468,659	3,222,794
<b>Profit before Taxation</b>	136,795,480	151,312,248	263,906,177	361,957,259	402,042,118	429,651,269
Taxation	(32,023,808)	(18,914,031)	-	-	-	-
<b>Net profit, being total comprehensive income</b>	104,771,672	132,398,217	263,906,177	361,957,259	402,042,118	429,651,269



## FUTURE ENERGY SOURCE COMPANY LIMITED

5 YEAR FINANCIAL PROJECTONS  
STATEMENT OF FINANCIAL POSITION

	AUDITED 2020 \$	PROJECTED 2021 \$	PROJECTED 2022 \$	PROJECTED 2023 \$	PROJECTED 2024 \$	PROJECTED 2025 \$
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant & equipment	128,621,681	461,183,093	755,798,654	698,561,603	659,124,551	608,487,499
Right of use Assets	5,824,258	3,908,205	1,992,152	76,099	-	-
Finance lease	13,809,106	11,298,909	8,525,861	5,462,439	2,078,237	-
	148,255,045	476,390,207	766,316,667	704,100,141	661,202,788	608,487,499
<b>CURRENT ASSETS</b>						
Inventories	13,596,947	13,500,000	24,245,890	25,753,580	27,061,187	28,189,276
Trade receivables	129,971,728	126,156,182	194,149,159	210,340,256	220,982,718	231,337,265
Due from related parties	40,930,081	40,930,081	40,930,081	40,930,081	40,930,081	40,930,081
Taxation recoverable	188,898	188,898	188,898	188,898	188,898	188,898
Current portion on finance lease	2,272,262	2,510,197	2,773,048	3,063,422	3,384,202	2,078,237
Cash at bank and short term deposits	138,661,460	334,102,097	203,567,702	496,524,000	796,042,878	1,151,629,155
	325,621,376	517,387,455	465,854,778	776,800,237	1,088,589,964	1,454,352,912
<b>TOTAL ASSETS</b>	473,876,421	993,777,662	1,232,171,445	1,480,900,378	1,749,792,752	2,062,840,411
<b>FINANCED BY</b>						
<b>Equity and Liabilities</b>						
Share capital	900	244,800,900	244,800,900	244,800,900	244,800,900	244,800,900
Retained earnings	205,461,743	300,031,898	473,448,760	727,993,202	1,029,524,790	1,351,763,242
	205,462,643	544,832,798	718,249,660	972,794,102	1,274,325,690	1,596,564,142
<b>Non-Current Liabilities</b>						
Lease Liabilities	2,678,516	738,602	-	-	-	-
Long term loans	36,654,037	222,840,244	186,862,100	150,780,028	124,521,625	96,624,045
Due to related parties	18,053,450	-	-	-	-	-
Deferred income taxes	677,029	677,029	677,029	677,029	677,029	677,029
	58,063,032	224,255,875	187,539,129	151,457,057	125,198,654	97,301,074
<b>Current Liabilities</b>						
Trade and other payables	167,181,530	132,417,948	199,176,595	213,154,330	223,499,475	233,664,798
Current portion of long term loans	11,212,373	33,589,034	35,978,144	36,082,072	26,258,403	27,897,580
Current portion of lease liabilities	2,994,757	1,939,914	738,602	-	-	-
Dividends payable	-	37,828,062	90,489,315	107,412,817	100,510,530	107,412,817
Taxation	28,962,086	18,914,031	-	-	-	-
	210,350,746	224,688,989	326,382,656	356,649,219	350,268,408	368,975,195
<b>TOTAL EQUITY &amp; LIABILITIES</b>	473,876,421	993,777,662	1,232,171,445	1,480,900,378	1,749,792,752	2,062,840,411

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	\$	\$	\$	\$	\$	\$
<b>Share Capital</b>						
Balance at beginning	900	900	244,800,900	244,800,900	244,800,900	244,800,900
Equity injection	-	244,800,000	-	-	-	-
Balance at end	900	244,800,900	244,800,900	244,800,900	244,800,900	244,800,900
<b>Retained Earnings</b>						
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	\$	\$	\$	\$	\$	\$
Balance at beginning	100,690,071	205,461,743	300,031,898	473,448,760	727,993,202	1,029,524,790
Net profit for the period	104,771,672	132,398,217	263,906,177	361,957,259	402,042,118	429,651,269
Dividends proposed	-	(37,828,062)	(90,489,315)	(107,412,817)	(100,510,530)	(107,412,817)
Balance at end	205,461,743	300,031,898	473,448,760	727,993,202	1,029,524,790	1,351,763,242



	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$
<b>Operating Activities:</b>					
Profit Before Taxation:	151,312,248	263,906,177	361,957,259	402,042,118	429,651,269
Add: Depreciation and amortization	13,771,798	48,150,492	60,153,104	60,513,151	61,637,052
	-	-	-	-	-
	165,084,046	312,056,669	422,110,363	462,555,269	491,288,321
Changes in due to related parties	(18,053,450)				
Changes in account receivables	(3,815,546)	67,992,977	16,191,097	10,642,462	10,354,547
Changes in inventories	(96,947)	10,745,890	1,507,690	1,307,607	1,128,089
Changes in account payables	(34,763,582)	66,758,647	13,977,735	10,345,145	10,165,323
Taxation	(28,962,086)	(18,914,031)	-	-	-
Net Change in Working Capital	(77,866,625)	(30,894,251)	(3,721,052)	(1,604,924)	(1,317,313)
	87,217,421	281,162,418	418,389,311	460,950,345	489,971,008
<b>Investing Activities</b>					
Capital expenditure	(344,417,157)	(340,850,000)	(1,000,000)	(21,000,000)	(11,000,000)
	(344,417,157)	(340,850,000)	(1,000,000)	(21,000,000)	(11,000,000)
<b>Financing Activities:</b>					
Pre IPO Equity	4,800,000				
IPO Equity	240,000,000	-	-	-	-
Finance lease receivables	2,272,262	2,510,197	2,773,048	3,063,422	3,384,202
Dividends paid		(37,828,062)	(90,489,315)	(107,412,817)	(100,510,530)
Long term loans - Cornerstone	230,000,000	-	-	-	-
Loan repayments - Cornerstone Trust Merchant Bank	(10,219,385)	(21,500,424)	(22,951,064)	(24,549,099)	(26,258,403)
Loan repayments - MF&G Trust	(11,217,747)	(12,088,610)	(13,027,080)	(11,532,973)	
Lease payments	(2,994,757)	(1,939,914)	(738,602)		
	452,640,373	(70,846,813)	(124,433,013)	(140,431,467)	(123,384,731)
Cash & cash equivalents at beginning	138,661,460	334,102,097	203,567,702	496,524,000	796,042,878
Increase/(decrease) in cash flows	195,440,637	(130,534,395)	292,956,298	299,518,878	355,586,277
Cash & cash equivalents at the end	334,102,097	203,567,702	496,524,000	796,042,878	1,151,629,155

