

**FUTURE ENERGY SOURCE COMPANY LIMITED  
(FESCO)**



**FESGAS**

**AUDITED FINANCIAL STATEMENTS  
for the Financial Year Ended March 31, 2024**

**Future Energy Source Company Limited**

**Financial Statements**

**31 March 2024**

# Future Energy Source Company Limited

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31 March 2024

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Future Energy Source Company Limited

### **Report on the audit of the financial statements**

#### **Our opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Future Energy Source Company Limited as at 31 March 2024, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of the Jamaican Companies Act.

#### **What we have audited**

Future Energy Source Company Limited financial statements comprise:

- the statement of financial position as at 31 March 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

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

#### **Independence**

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

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

To the Members of  
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### **Report on the audit of the financial statements (continued)**

#### **Our audit approach**

##### **Audit scope**

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

##### **How we tailored our company audit scope**

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

Our 2024 audit was planned and executed having regard to the fact that the operations of the company remain largely unchanged from the prior year.

The Company's businesses are organised into two primary segments being wholesale and retail petroleum products and liquefied petroleum gas. These entities maintain their own accounting records and report to the Company through the completion of reporting packages.

In establishing the overall company's audit strategy and plan, we determined the type of work that was needed to be performed on the components by the engagement team.

##### **Key audit matters**

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

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

To the Members of  
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### **Report on the audit of the financial statements (continued)**

#### **Key audit matters (continued)**

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p>IFRS 9 Financial Instruments, is complex and requires the Company to recognise expected credit losses ('ECL') on financial assets. The determination of ECL is highly subjective and requires management to make significant judgement and estimates, particularly regarding significant increase in credit risk and forward-looking information.</p> <p>The combination of significant management estimates and judgement increases the risk that management estimates could be materially misstated.</p> <p>See notes 4(a), 5(i) and 11 of the financial statements.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>➤ Obtain an understanding of the model used by management for the calculation of expected credit losses on receivables.</li> <li>➤ Test the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis.</li> <li>➤ Involved our financial risk modelling specialists to evaluate the appropriateness of the Company's impairment methodologies, including the criteria used for determining significant increase in credit risk and independently assessed the assumptions and compliance with the new requirement of IFRS 9, Financial Instrument.</li> <li>➤ Involved our financial risk modelling specialists to evaluate the appropriateness of the economic parameter, including the use of forward-looking information.</li> <li>➤ Tested the company's recording and ageing of trade receivables.</li> <li>➤ Assessed the adequacy of the disclosures of the key assumptions and judgements as well as compliance with IFRS 9.</li> </ul> <p>Based on audit procedures performed, no adjustments to the financial statements were deemed necessary.</p>

**INDEPENDENT AUDITORS' REPORT (continued)**

To the Members of  
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**Report on the audit of the financial statements (continued)**

**Key audit matters (continued)**

Key audit matter	How the matter was addressed in our audit
<p><b>Revenue recognition</b></p> <p>The main activities of the company comprise retail and wholesale trading activities in petroleum and automotive products. This includes the sale of fuel, lubricants and leasing fuel equipment. It also utilizing its FESCO trademark and allows dealers to use its trademark in exchange for direct compensation.</p> <p>Revenue is posted to the general ledger by means of monthly manual journal entries and a significant volume of numerous small value items are invoiced, therefore we assessed there to be a higher risk of material misstatement associated with the timing and amount of revenue recognised.</p>	<p>Our audit procedures in response to this matter included:</p> <ul style="list-style-type: none"> <li>➤ Assessed the revenue recognition policy applied by the company and for compliance with IFRS 15 Revenue from Contract with Customers.</li> <li>➤ Tested the design and implementation and operating effectiveness of relevant controls such as the review of the monthly sales journal and the daily sales reconciliation.</li> <li>➤ Evaluated whether sales transactions on either side of the financial position date as well as credit notes issued after the financial position date are recognised in the correct period.</li> <li>➤ Compared a sample of items to supporting documentation to verify that the sales transactions are recorded appropriately.</li> <li>➤ Performed a cash to revenue reconciliation by using the cash receipts from the monthly bank statements and the opening and closing receivables for the year.</li> <li>➤ Performed a cash to revenue reconciliation by using the cash receipts from the monthly bank statements and the opening and closing receivables for the year.</li> <li>➤ Evaluated to the completeness of the sales listing by agreeing to the general ledger.</li> </ul>

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

To the Members of  
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### **Report on the audit of the financial statements (continued)**

#### **Other information**

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

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

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

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

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

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

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

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



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

To the Members of  
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### **Report on the audit of the financial statements (continued)**

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

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

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

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### **Report on the audit of the financial statements (continued)**

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

**INDEPENDENT AUDITORS' REPORT (continued)**

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***Report on other legal and regulatory requirements***

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

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

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

**Chartered Accountants**

Kingston, Jamaica


05 August 2024

# Future Energy Source Company Limited

## Statement of Financial Position As at 31 March 2024

	Note	<u>2024</u>	<u>2023</u>
		\$	\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	3,564,428,602	2,746,177,340
Right-of-use assets	7	135,598,332	-
Investment security	8	23,005,050	-
Finance lease receivables	9	89,990,608	25,151,486
		<u>3,813,022,592</u>	<u>2,771,328,826</u>
<b>Current Assets</b>			
Inventories	10	202,392,785	94,885,856
Trade and other receivables	11	968,976,242	660,259,672
Taxation recoverable		7,774,588	6,821,387
Current portion of finance lease receivables	9	7,219,298	5,602,595
Cash and cash equivalents	12	315,735,377	287,878,480
		<u>1,502,098,290</u>	<u>1,055,447,990</u>
<b>TOTAL ASSETS</b>		<u><u>5,315,120,882</u></u>	<u><u>3,826,776,816</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
Share capital	13	228,327,973	228,327,973
Capital reserves	14	545,173,455	-
Retained earnings		1,484,346,279	1,073,529,339
		<u>2,257,847,707</u>	<u>1,301,857,312</u>
<b>Non-Current Liabilities</b>			
Long term liabilities	15	1,541,369,589	1,766,908,066
Lease liabilities	7	135,222,204	-
Deferred tax liabilities	16	32,955,723	4,515,611
		<u>1,709,547,516</u>	<u>1,771,423,677</u>
<b>Current Liabilities</b>			
Trade and other payables	17	998,268,653	510,442,376
Current portion of long term liabilities	15	326,545,402	243,053,451
Current portion of lease liabilities	7	6,655,216	-
Bank overdraft	18	16,256,388	-
		<u>1,347,725,659</u>	<u>753,495,827</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>5,315,120,882</u></u>	<u><u>3,826,776,816</u></u>

Approved for issue by the Board of Directors on 5 August 2024 and signed on its behalf by:

  
Trevor Heaven Director

  
Jeremy Barnes Director

## Future Energy Source Company Limited

### Statement of Comprehensive Income Year ended 31 March 2024

	Note	2024	2023
		\$	\$
<b>Turnover</b>	19	28,680,616,572	26,282,165,790
Cost of sales		(27,293,611,121)	(25,394,347,783)
<b>Gross profit</b>		1,387,005,451	887,818,007
Other income	20	3,843,944	3,732,315
Operating and administrative expenses	21	(791,173,235)	(307,287,423)
Impairment losses on financial assets	4(a)	(4,970,061)	(17,863,251)
<b>Operating profit</b>	22	594,706,099	566,399,648
Finance (costs)/income, net	23	(155,449,047)	8,115,292
<b>Profit before taxation</b>		439,257,052	574,514,940
Taxation	25	(28,440,112)	(3,248,187)
<b>Net profit for the year</b>		410,816,940	571,266,753
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit and loss:			
Surplus arising on revaluation of land and buildings	14	545,173,455	-
<b>Total comprehensive income</b>		955,990,295	571,266,753
<b>Earnings per ordinary stock unit attributable to stockholders of the company</b>			
	27	\$0.16	\$0.23

## Future Energy Source Company Limited

### Statement of Changes in Equity Year ended 31 March 2024

	<b>Share Capital</b>	<b>Capital Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balances at 1 April 2022</b>	228,327,973	-	542,262,586	770,590,559
Net profit for the year, being total comprehensive income	-	-	571,266,753	571,266,753
<b>Transactions with owners</b>				
Dividends (Note 28)	-	-	(40,000,000)	(40,000,000)
<b>Balances at 31 March 2023</b>	228,327,973	-	1,073,529,339	1,301,857,312
Net profit for the year	-	-	410,816,940	410,816,940
Surplus arising on revaluation of land and buildings (Note 14)	-	545,173,455	-	545,173,455
Total comprehensive income	-	545,173,455	410,816,940	955,990,395
<b>Balances at 31 March 2024</b>	228,327,973	545,173,455	1,484,346,279	2,257,847,707

# Future Energy Source Company Limited

## Statement of Cash Flows Year ended 31 March 2024

	Note	2024 \$	2023 \$
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>			
<b>Cash Flows from Operating Activities</b>			
Profit before taxation		439,257,052	574,514,940
Adjustments for:			
Depreciation	6	173,554,274	28,416,394
Amortization on right-of-use assets	7	10,451,536	548,321
Impairment losses on financial assets	4(a)	4,970,061	17,863,251
Property, plant and equipment transferred to inventories and right of use assets		89,176,034	-
Foreign exchange (gains)/losses		(285,118)	2,611,632
Lease interest expense		8,042,435	15,650
Loss on disposal of property, plant and equipment		2,569,200	3,056,650
Interest income		(20,233,035)	(23,364,777)
Interest expense		178,125,979	17,286,980
		885,628,418	620,949,041
Changes in operating assets and liabilities:			
Increase in inventories		(107,506,929)	(45,857,362)
Increase in receivables		(312,951,576)	(210,740,115)
Increase/(decrease) in payables		487,886,840	(240,457,230)
Increase in restricted cash and cash equivalents	12	(38,222,525)	(65,510,527)
		914,834,228	58,383,807
Income tax paid		(953,200)	(6,350,937)
Interest received		19,497,980	23,364,777
Interest paid		(186,168,414)	(17,302,630)
Cash provided by operating activities		747,210,594	58,095,017
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	6	(550,967,315)	(1,639,200,151)
Proceeds from disposal of property, plant and equipment		12,590,000	-
Finance lease receivable, net		(66,455,825)	(23,277,510)
Purchase of investment security		(23,005,050)	-
Cash used in investing activities		(627,838,190)	(1,662,477,661)
<b>Balance carried forward</b>		119,372,404	(1,604,382,644)

# Future Energy Source Company Limited

## Statement of Cash Flows (continued) Year ended 31 March 2024

	2024	2023
Note	\$	\$
<b>Balance brought forward</b>	119,372,404	(1,604,382,644)
<b>Cash Flows from Financing Activities</b>		
Long term loans, net	(142,046,526)	898,582,901
Short term loans, net	-	(157,110,333)
Lease principal payments	(4,172,448)	(733,029)
Dividends paid	17 (60,563)	(40,000,000)
Cash (used in)/provided by financing activities	(146,279,537)	700,739,539
<b>Net decrease in cash and cash equivalents</b>	(26,907,133)	(903,643,105)
<b>Net effect of foreign currency translation on cash and cash equivalents</b>	285,118	(2,611,632)
<b>Cash and cash equivalents at the beginning of the year</b>	203,867,953	1,110,122,690
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	177,245,938	203,867,953
<b>Represented by:</b>		
Cash and cash equivalents (Note 12)	193,502,326	203,867,953
Bank overdraft	(16,256,388)	-
	177,245,938	203,867,953



# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 1. Identification and Principal Activities

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

The Company, a petroleum marketer licensed to operate as a petroleum bulk distributor and the owner of the FESCO and FESGAS trademarks, listed on the Junior Market of the Jamaica Stock Exchange on April 23, 2021.

The Company supplies wholesale and retail petroleum products and Liquefied Petroleum Gas (LPG) to customers including dealer operations and to its own service station operations located at Beechwood Avenue in Kingston and Kitson Town in St Catherine. The Company also owns and operates liquefied petroleum gas (“LPG”) plants located in Bernard Lodge and Naggo Head, St Catherine.

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

### 2. Basis of preparation

#### **Basis of measurement and statement of compliance**

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

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

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgement in complexity or areas where assumptions or estimates are significant to the financial statements are discussed in note 5.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 2. Basis of preparation (continued)

#### Basis of measurement and statement of compliance (continued)

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

The following standards have been adopted by the company for the first time which have been issued and are effective for mandatory adoption for the financial year beginning on or after 1 January 2023:

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

Effective April 1, 2023, the Company adopted the amendments to IAS 1, which resulted in the Company disclosing material accounting policies, rather than significant accounting policies, based on the following definition from the amended standard:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

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

**Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)**, (effective for annual periods beginning on or after 1 January 2023) specifies that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Expect for Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, The other amendments did not result in any material effect on the company's financial statements.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 2. Basis of preparation (continued)

#### **Basis of measurement and statement of compliance (continued)**

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

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

**The amendments in Classification of Liabilities as Current or Non-current - Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2024) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

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

**Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7)** (effective for annual periods beginning on or after 1 January 2024). These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

**Leases on sale and leaseback (Amendments to IFRS 16)** (effective for annual periods beginning on or after 1 January 2024). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 2. Basis of preparation (continued)

#### **Basis of measurement and statement of compliance (continued)**

#### **Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (continued)**

**Lack of Exchangeability Amendments to IAS 21** (effective for annual periods beginning on or after 1 January 2025). An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

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 2024

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### 3. Summary of material accounting policies

#### (a) 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.

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

Furniture, fixtures & equipment	10%
Buildings	2.5%
Signage	10%
Computers, equipment & software	20%
Motor vehicle	10%-20%
Machinery & equipment	3%-15%
Right-of-use assets	over the period of the lease term
Leasehold improvements	over the period of the lease term

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

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

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

#### (c) Cash and cash equivalents

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 3. Summary of material accounting policies (continued)

#### (d) Receivables

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

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

#### (e) 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.

#### (f) 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.

#### (g) Dividends

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 3. Summary of material 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, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

#### (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 operation of wholesale, retail petroleum products and liquefied petroleum gas.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 3. Summary of material 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 2024

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### 3. Summary of material accounting policies (continued)

#### (I) 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 2024

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### 3. Summary of material accounting policies (continued)

#### (m) Financial Instruments

##### **Classification**

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

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

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

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

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

##### **Recognition and derecognition**

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

##### **Measurement**

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

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 3. Summary of material 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**

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 2024

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### 3. Summary of material 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.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 3. Summary of material accounting policies (continued)

#### (o) Right-of-use assets and related lease liabilities

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

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company'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 2024

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### 3. Summary of material accounting policies (continued)

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

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

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

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

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

#### Extension and termination options

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

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

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 3. Summary of material accounting policies (continued)

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

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

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

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

#### (p) Segment report

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

The company's activities were traditionally limited to the retail and wholesale trading activities in petroleum and automotive products and related products to Jamaican consumers, which was previously deemed to be a single segment. During the year the company commissioned its LPG plant. The company has therefore identified the following two (2) operating segments:

- i. Wholesale and retail distribution of fuel
- ii. Distribution of liquefied petroleum gas

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# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 4. Financial risk management

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

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

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

#### **Audit Committee**

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

#### **(a) Credit risk**

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

#### **Investment security**

The company limits its exposure to credit risk by investing mainly liquid security, with counterparties that have credit quality and in Government of Jamaica security.

Accordingly, management does not expect any counterparty to fail to meet its obligations.

#### **Cash and bank balances**

Cash transactions are limited to high credit quality financial institutions. The company has policies to limit the amount of credit exposure to any financial institutions.



# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 4. Financial risk management (continued)

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

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.

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 two types of financial asset that is subject to the expected credit loss model:

- Trade receivables for sale of petroleum and automotive products and liquified petroleum gas.
- Investment security

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

#### **Trade receivables**

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2024 and 31 March 2023 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 2024

### 4. Financial risk management (continued)

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

On that basis, the loss allowance as at 31 March 2024 and 31 March 2023 was determined as follows for trade receivables:

31 March 2024	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	\$	\$	\$	\$	\$
Expected loss rate	2.46%	10.24%	1.20%	39.65%	11.22%
Gross carrying amount – trade receivables	704,919,205	11,527,152	2,002,987	33,182,638	751,631,982
Loss allowance	17,332,556	1,180,038	24,036	13,157,555	31,694,185

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

The closing loss allowances for trade receivables as at 31 March 2024 and 31 March 2023 reconcile to the opening loss allowances as follows:

	Trade receivables 2024 \$	Trade receivables 2023 \$
Opening expected credit loss allowance	26,724,124	8,860,873
Increase in loss allowance recognised in profit or loss during the year	4,970,061	17,863,251
Closing expected credit loss allowance (Note 11)	31,694,185	26,724,124

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 2024

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### 4. Financial risk management (continued)

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

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

As at 31 March 2024, there were no lifetime expected credit losses of the full value of the receivables.

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

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

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

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 4. Financial risk management (continued)

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

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

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Impairment losses		
- movement in loss allowance for trade receivables	4,970,061	17,863,251
Net impairment losses on trade receivables	<u>4,970,061</u>	<u>17,863,251</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 2024

### 4. Financial risk management (continued)

#### (b) Liquidity risk (continued)

##### Undiscounted cash flows of financial liabilities

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

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
	\$	\$	\$	\$	\$	\$	\$
	<b>2024</b>						
Long term liabilities	40,187,396	80,364,587	351,768,272	1,711,587,696	-	2,183,907,951	1,867,914,991
Lease liabilities	1,599,060	3,198,120	14,391,536	95,943,575	76,754,859	191,887,150	141,877,420
Trade and other payables	998,268,653	-	-	-	-	998,268,653	998,268,653
Bank overdraft	16,256,388	-	-	-	-	16,256,388	16,256,388
	<u>1,056,311,497</u>	<u>83,562,707</u>	<u>366,159,808</u>	<u>1,807,531,271</u>	<u>76,754,859</u>	<u>3,390,320,142</u>	<u>3,024,317,452</u>
	<b>2023</b>						
Long term liabilities	25,383,107	50,766,215	343,841,948	2,255,258,316	-	2,675,249,586	2,009,961,517
Trade and other payables	510,442,376	-	-	-	-	510,442,376	510,442,376
	<u>535,825,483</u>	<u>50,766,215</u>	<u>343,841,948</u>	<u>2,255,258,316</u>	<u>-</u>	<u>3,185,691,962</u>	<u>2,520,403,893</u>

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

#### (c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in interest rates (4(c)(i)) and foreign currency risk (4(c)(ii)). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk exposures are measured using sensitivity analysis. There has been no significant exposure to market risks or the manner in which the company manages and measures the risk.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 4. Financial risk management (continued)

#### (c) Market risk (continued)

##### (i) Interest rate risk

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

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

	<b>2024</b>					
	<b>Within 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Investment security	-	-	-	23,005,050	-	23,005,050
Finance lease receivables	601,608	1,804,825	4,812,865	89,990,608	-	97,209,906
Trade and other receivables	-	-	-	-	968,976,242	968,976,242
Cash and cash equivalents	-	32,559,031	32,580,840	-	250,595,506	315,735,377
<b>Total financial assets</b>	<b>601,608</b>	<b>34,363,856</b>	<b>37,393,705</b>	<b>112,995,658</b>	<b>1,219,571,748</b>	<b>1,404,926,575</b>
<b>Liabilities</b>						
Lease liabilities	554,601	1,663,804	4,436,811	135,222,204	-	141,877,420
Long term liabilities	27,212,117	54,424,234	319,454,551	1,466,824,089	-	1,867,914,991
Trade and other payables	-	-	-	-	998,268,653	998,268,653
Bank overdraft	16,256,388	-	-	-	-	16,256,388
<b>Total financial liabilities</b>	<b>44,023,106</b>	<b>56,088,038</b>	<b>323,891,362</b>	<b>1,602,046,293</b>	<b>998,268,653</b>	<b>3,024,317,452</b>
<b>Total interest re-pricing gap</b>	<b>(43,421,498)</b>	<b>(21,724,182)</b>	<b>(286,497,657)</b>	<b>(1,489,050,635)</b>	<b>221,303,095</b>	<b>(1,619,390,877)</b>

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 4. Financial risk management (continued)

#### (c) Market risk (continued)

##### (i) Interest rate risk (continued)

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Non- interest bearing	Total
	\$	\$	\$	\$	\$	\$
<b>2023</b>						
<b>Assets</b>						
Finance lease receivables	466,883	1,400,649	3,735,063	25,151,486	-	30,754,081
Trade and other receivables	-	-	-	-	660,259,672	660,259,672
Cash and cash equivalents	16,078,731	-	250,707,885	-	21,091,864	287,878,480
Total financial assets	16,545,614	1,400,649	254,442,948	25,151,486	681,351,536	978,892,233
<b>Liabilities</b>						
Long term liabilities	20,254,454	60,763,362	162,035,635	1,766,908,066	-	2,009,961,517
Trade and other payables	-	-	-	-	510,442,376	510,442,376
Total financial liabilities	20,254,454	60,763,362	162,035,635	1,766,908,066	510,442,376	2,520,403,893
Total interest re- pricing gap	(3,708,840)	(59,362,713)	92,407,313	(1,741,756,580)	170,909,160	(1,541,511,660)

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 4. Financial risk management (continued)

#### (c) Market risk (continued)

##### (ii) Foreign currency risk

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

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

Net financial (liabilities)/assets denominated in foreign currency are as follows: -

	<u>2024</u>	<u>2023</u>
	\$	\$
Cash and cash equivalents	42,321,237	86,142,201
Trade receivables	535,365	-
Trade payables	(84,881,829)	-
Lease liabilities	96,279,995	-
Long term loans	(80,000,000)	-
	<u>(25,745,232)</u>	<u>86,142,201</u>
	<u>2024</u>	<u>2023</u>
<b>Currency</b>		
USD	\$166,420	\$574,435
Rate of exchange	<u>JMD154.70</u>	<u>JMD149.96</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.

<b>Currency</b>	<b>Change in exchange rate</b>	<u>2024</u>	<u>2023</u>
		\$	\$
Revaluation	1% (2023 – 1%)	(257,452)	861,422
Devaluation	4% (2023 – 4%)	<u>(1,029,809)</u>	<u>3,445,688</u>



# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 4. Financial risk management (continued)

#### (d) Fair value estimates

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

The amount included in the financial statements for cash and cash equivalents, trade and other receivables, trade and other payables reflect their approximate fair values because of the short-term maturity of these instruments. Long term liabilities, finance lease, and lease liabilities approximate amortized costs.

#### (e) Capital management

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

The company considers its capital to be its total equity as reported on the statement of financial position, which currently comprises share capital, capital reserves and retained earnings. The company's financial objective is to generate a targeted operating surplus in order to strengthen its capital and provide for the future continuity of the company as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 4. Financial risk management (continued)

#### (e) Capital management (continued)

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Total borrowings	1,884,171,379	2,009,961,517
Capital and total borrowings	4,142,019,086	3,311,818,829
Gearing ratio	<u>45.49%</u>	<u>60.69%</u>

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 5. 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.

#### (iv) Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilization of valuation techniques. These intangibles may be market related, consumer related, contract based or technology based. For significant amounts of intangibles arising from a business combination, the group and company has utilized independent professional advisors to assist management in determining the recognition and measurement of these assets.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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

#### (v) 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.

#### (vi) 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 2024

#### 6. Property, plant and equipment

	Land	Buildings	Leasehold improvement	Signage	Furniture, fixtures & equipment	Machinery & equipment	Computer equipment & software	Motor vehicle	Construction work-in-progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost -</b>										
1 April 2022	105,380,262	468,051,050	-	17,818,239	131,864,136	-	2,135,937	-	435,278,348	1,160,527,972
Additions	213,103,110	7,378,916	-	9,838,867	8,390,641	-	5,175,815	-	1,395,312,802	1,639,200,151
Transfers	-	-	-	-	(3,246,000)	-	-	-	-	(3,246,000)
31 March 2023	318,483,372	475,429,966	-	27,657,106	137,008,777	-	7,311,752	-	1,830,591,150	2,796,482,123
Additions	-	4,356,149	19,795,131	17,293,249	50,898,051	109,495,273	2,853,357	50,535,194	295,740,911	550,967,315
Disposal	-	-	-	-	(16,242,000)	-	-	-	-	(16,242,000)
Transfer	153,000,000	22,110,900	-	-	84,527,799	1,556,630,396	66,533,921	137,392,422	(2,020,195,438)	-
Other transfers	-	-	-	-	-	-	-	-	(89,176,034)	(89,176,034)
Revaluation adjustment	185,503,043	323,904,186	-	-	-	-	-	-	-	509,407,229
31 March 2024	656,986,415	825,801,201	19,795,131	44,950,355	256,192,627	1,666,125,669	76,699,030	187,927,616	16,960,589	3,751,438,633
<b>Depreciation -</b>										
1 April 2022	-	3,315,794	-	2,762,344	15,162,923	-	836,678	-	-	22,077,739
Charge for year	-	11,816,605	-	2,196,571	13,311,380	-	1,091,838	-	-	28,416,394
Relieved on disposal	-	-	-	-	(189,350)	-	-	-	-	(189,350)
31 March 2023	-	15,132,399	-	4,958,915	28,284,953	-	1,928,516	-	-	50,304,783
Charge for year	-	20,633,827	1,649,594	3,867,898	20,453,175	100,132,161	12,231,443	14,586,176	-	173,554,274
Relieved on disposal	-	-	-	-	(1,082,800)	-	-	-	-	(1,082,800)
Revaluation adjustment	-	(35,766,226)	-	-	-	-	-	-	-	(35,766,226)
31 March 2024	-	-	1,649,594	8,826,813	47,655,328	100,132,161	14,159,959	14,586,176	-	187,010,031
<b>Net Book Value -</b>										
31 March 2024	656,986,415	825,801,201	18,145,537	36,123,542	208,537,299	1,565,993,508	62,539,071	173,341,440	16,960,589	3,564,428,602
31 March 2023	318,483,372	460,297,567	-	22,698,191	108,723,824	-	5,383,236	-	1,830,591,150	2,746,177,340

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2024

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#### 6. Property, plant and equipment (continued)

The properties located at 7-9 Beechwood Avenue, Kingston 5, and the land located at Lot # 459 Spanish Town Road, Part of Penwood, Kingston 11, Saint Andrew was valued using the income capitalization approach and the sales comparable approach, respectively, as at March 26, 2024, by I.G Powell Valuation & Property Consultants Ltd, Chartered Valuation Surveyor.

The property located at Lot No. 56 Cookson Avenue, Cookson Pen, Portmore, Saint Catherine was valued at current market value as at March 25, 2024 by E. Maitland Realty, Licensed Real Estate Dealer.

The surplus arising on the valuation was credited to capital reserves. See Note 14.

#### 7. Right-of-use assets and related lease obligations

##### (i) Amounts recognised in the statement of financial position

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

##### Right-of-use assets

	<u>Property</u>	<u>Motor vehicles</u>	<u>Total</u>
	\$	\$	\$
1 April 2022	-	548,321	548,321
Amortization	-	(548,321)	(548,321)
31 March 2023	-	-	-
Addition	146,049,868	-	146,049,868
Amortization	(10,451,536)	-	(10,451,536)
31 March 2024	<u>135,598,332</u>	<u>-</u>	<u>135,598,332</u>

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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

#### (i) Amounts recognised in the statement of financial position (continued)

##### Lease liabilities

	<b>2024</b>	<b>2023</b>
	\$	\$
Balance as at beginning of year	-	733,029
Addition	146,049,868	-
Less total payment	(11,852,500)	(748,679)
Add interest expense	8,042,435	15,650
Foreign exchange	(362,383)	-
Balance as at end of year	<u>141,877,420</u>	<u>-</u>
	<b>2024</b>	<b>2023</b>
	\$	\$
Current portion	6,655,216	-
Non-current portion	<u>135,222,204</u>	<u>-</u>
31 March	<u>141,877,420</u>	<u>-</u>

#### (ii) Amounts recognised in the statement of comprehensive income

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

	<b>2024</b>	<b>2023</b>
	\$	\$
Amortization of right-of-use assets (included in administrative expenses)	10,451,536	548,321
Interest expense (included in finance costs)	8,042,435	15,650
Effect of foreign exchange	<u>362,383</u>	<u>-</u>

#### (iii) Amounts recognized in the statement of cash flows

	<b>2024</b>	<b>2023</b>
	\$	\$
Total cash outflow for leases	<u>11,852,500</u>	<u>748,679</u>

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 8. Investment security

	<u>2024</u>	<u>2023</u>
	\$	\$
<b>Security measured at FVOCI</b>		
Unquoted equity security	<u>23,005,050</u>	<u>-</u>

As at 31 March 2024, the company holds 30,600 (2023: Nil) of the ordinary shares in MEL 2022 Limited, the owner and operator of Mother's Enterprises Limited; this represents 1.5% (2023: Nil) of the shareholdings.

At year end, the fair value could not be measured reliably and are recognised at cost, less impairments.

### 9. Finance lease receivables

	<u>2024</u>	<u>2023</u>
	\$	\$
Balance as at beginning of year	30,754,081	7,476,571
Additions	71,400,561	30,399,537
Less: Total payment	<u>(4,944,736)</u>	<u>(7,122,027)</u>
Balance as at end of year	<u>97,209,906</u>	<u>30,754,081</u>
	<u>2024</u>	<u>2023</u>
	\$	\$
Gross investment in finance leases:		
Current portion	14,676,149	6,594,771
Non-current portion	<u>90,390,651</u>	<u>29,460,175</u>
	105,066,800	36,054,946
Less: Unearned finance income	<u>(7,856,894)</u>	<u>(5,300,865)</u>
	<u>97,209,906</u>	<u>30,754,081</u>
Represented by: -		
Current portion	7,219,298	5,602,595
Non-current portion	<u>89,990,608</u>	<u>25,151,486</u>
	<u>97,209,906</u>	<u>30,754,081</u>



# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 10. Inventories

	<u>2024</u>	<u>2023</u>
	\$	\$
Pumps and supplies	97,216,542	52,486,699
Fuel and accessories	97,642,118	27,886,445
Goods in transit	<u>7,534,125</u>	<u>14,512,712</u>
	<u>202,392,785</u>	<u>94,885,856</u>

For the years ended 31 March 2024 and 2023, inventories of Nil (2023: Nil) were written off during the year.

### 11. Trade and other receivables

	<u>2024</u>	<u>2023</u>
	\$	\$
Trade receivables	(a) 751,631,982	463,141,986
Prepayments	(b) -	23,005,050
Interest receivables	735,055	-
Other	<u>248,303,390</u>	<u>200,836,760</u>
	1,000,670,427	686,983,796
Less: Impairment losses on financial assets (Note 4(a))	<u>(31,694,185)</u>	<u>(26,724,124)</u>
	<u>968,976,242</u>	<u>660,259,672</u>

(a) Included in trade receivables are amounts totalling \$263,689,421 (2023: \$139,779,103) due from related parties in the ordinary course of business. The companies are related by way of common shareholders and directors. These balances are trading balances and are in line with the company's credit terms.

(b) This represents a deposit on the purchase of unquoted equity that was completed in 2024. (See Note 8).

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 12. Cash and cash equivalents

	<u>2024</u>	<u>2023</u>
Short term investments	\$	\$
Barita Investments Limited	8,148,997	7,972,990
NCB Capital Markets Limited	<u>56,990,874</u>	<u>100,461,583</u>
	<u>65,139,871</u>	<u>108,434,573</u>
Cash at bank	250,527,374	179,395,775
Cash in hand	68,132	48,132
	<u>250,595,506</u>	<u>179,443,907</u>
	<u>315,735,377</u>	<u>287,878,480</u>

- i. Short term investments are held at licensed financial institutions and attract interest at 4% - 8% (2023: 2-8%) per annum. They all have remaining maturities of less than three months, substantially comprise Reverse Repurchase Agreements or Certificates of Participation, consisting of an 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. Cash at bank comprise savings and non-interest-bearing current and savings accounts at licensed deposit-taken institutions in Jamaica. The rate of interest earned on the company's savings accounts range from 0.01% to 0.5% (2023: 0.10% to 0.35%) for accounts that are denominated in United States Dollars, and 0.05% (2023:0.35%) for those that are denominated in Jamaican Dollars.
- iii. Cash at bank include an amount of \$122,233,051 (2023: \$84,010,527) which is held as a Debt Service Reserve, under the terms of the Secured Bond Issue (see Note 15). The amount has been charged as security for the repayment of principal and interest due under the bond, and accordingly, cannot be used for any other purposes.

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Cash at bank	315,735,377	287,878,480
Less: Restricted cash	<u>(122,233,051)</u>	<u>(84,010,527)</u>
	<u>193,502,326</u>	<u>203,867,953</u>

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 13. Share capital

	<u>2024</u>	<u>2023</u>
	<u>No. of shares</u>	<u>No. of shares</u>
Authorised ordinary shares at no par value	<u>Unlimited</u>	<u>Unlimited</u>
	<u>2024</u>	<u>2023</u>
	\$	\$
Issued and fully paid-		
Share capital at beginning and end of year - 2,500,000,000 ordinary stock units of no par value	<u>228,327,973</u>	<u>228,327,973</u>

### 14. Capital reserves

	<u>2024</u>	<u>2023</u>
	\$	\$
The movements during the year were as follows:		
Balance at the beginning of the year	-	-
Surplus on revaluation of land and building (Note 6)	<u>545,173,455</u>	<u>-</u>
Balance at end of year	<u>545,173,455</u>	<u>-</u>
	<u>2024</u>	<u>2023</u>
	\$	\$
The balance at the end of the year comprises:		
Revaluation reserves	<u>545,173,455</u>	<u>-</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2024

#### 15. Long term liabilities

		<u>2024</u>	<u>2023</u>
		\$	\$
J\$1.0B Unsecured Fixed Rate Corporate Bonds	(a)	812,558,333	990,800,000
J\$700M Partially Secured Fixed-to-Fixed Rate Corporate Bond	(b)	655,170,377	682,376,922
Cornerstone Trust & Merchant Bank Limited	(c)	231,159,531	256,884,720
Fesco Founders Pool Limited	(d)	74,545,500	74,545,500
Bank of Nova Scotia Jamaica Limited	(e)	14,481,250	-
Portmore LPG Supplies Limited	(f)	80,000,000	-
Interest payable		-	5,354,375
		<u>1,867,914,991</u>	<u>2,009,961,517</u>
Less: Current portion		<u>(326,545,402)</u>	<u>(243,053,451)</u>
		<u>1,541,369,589</u>	<u>1,766,908,066</u>

- (a) The Unsecured Fixed Rate Corporate Bonds, which is denominated in Jamaican dollars, was issued in February 2022 and will mature in February 2027. The bond attracts interest at 7.5% per annum. There is a moratorium on principal repayment for one year following the issue date, after which principal will be repaid in fifteen (15) equal consecutive quarterly instalments of \$43.75M with a balloon payment \$343.75M being due and payable on the maturity date.
- (b) The Partially Secured Fixed-to-Fixed Rate Corporate Bond, which is denominated in Jamaican dollars, was issued in December 2022 and will mature in December 2027. The bond attracts interest at 11.75% in the first three years, while the interest for the subsequent two years is to be decided. There is a moratorium on principal repayment for one year following the issue date, after which principal will be repaid in 16 quarterly payments of \$30.625M, post moratorium, with a 30% final balloon payment (i.e. J\$210M) at maturity.
- (c) This loan, which is denominated in Jamaican dollar, represents a consolidation of loans received for the purchase and build out of the Beechwood Avenue location. The effective loan consolidation date is July 8, 2022. The duration of the loan is 8.5 years. The loan attracts interest at a fixed rate of 6.75% per annum and is repayable in 102 equal monthly instalments of \$3,526,182.
- (d) This loan was received on March 31, 2023, for the purpose of providing working capital support. The loan comprises of J\$67,000,000 and US\$50,000 and attracts interest of 11.75% and 4% per annum, respectively. Interest is payable annually on the anniversary of the actual date of disbursement. The loan is unsecured and has a tenure of 24 months.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2024

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#### 15. Long term liabilities (continued)

- (e) This loan amounting to \$16,481,250 represents two drawdowns of \$11,576,700 and \$4,904,550 in September and October 2023 respectively and attracts interest of 8.25% per annum and is repayable over 60 months. Interest and principal on loan is paid monthly.
- (f) This represents a balance of US\$512,820 owing to Portmore LPG Supplies Limited upon the purchase of the LPG plant. The loan attracts interest at 7% per annum and is repayable over twelve (12) consecutive quarterly payments with maturity on April 28, 2027.

The borrowings are secured as follows:-

- (i) The bond (b) is secured by First Legal Mortgage over land registered at Volume 612 Folio 37 in the Register Book of Titles, known as 459 Spanish Town Road, being part of Penwood in the parish of St. Andrew stamped to cover \$108.75 million. The facility is also secured by Debt Service Account with one quarter's worth of debt service payments upon commencement of the Facility, with an additional one interest period's interest on the first anniversary of the Facility and any other form of security deemed necessary.
- (ii) The loans (e) are secured by First and Second Legal Mortgage stamped and registered to cover \$276,000,000.00 over commercial real estate located at 7 to 9 Beechwood Avenue and 8 Park Avenue, Kingston 5, comprised in Certificates of Title registered at Volume 1202 Folio 754, Volume 1511 Folio 543 and Volume 1532 Folio 239 in the Register Book of Titles in the name of Future Energy Source Company Limited.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 16. 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>2024</u>	<u>2023</u>
	\$	\$
Deferred income tax liabilities	(32,955,723)	(4,515,611)
Balance at end of year	<u>(32,955,723)</u>	<u>(4,515,611)</u>

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Balance at beginning of year	(4,515,611)	(1,267,424)
Deferred income charged to the statement of comprehensive income (Note 25)	<u>(28,440,112)</u>	<u>(3,248,187)</u>
Balance at end of year	<u>(32,955,723)</u>	<u>(4,515,611)</u>

Deferred income tax liabilities are attributable to the following items:

	<u>2024</u>	<u>2023</u>
	\$	\$
Deferred income liabilities:		
Property, plant and equipment	(34,525,496)	(4,515,611)
Rights-of-use asset, net	<u>1,569,773</u>	<u>-</u>
Net liabilities at end of year	<u>(32,955,723)</u>	<u>(4,515,611)</u>

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Deferred tax liabilities to be settled:		
- after more than 12 months	(32,955,723)	(4,515,611)
- within 12 months	<u>-</u>	<u>-</u>
	<u>(32,955,723)</u>	<u>(4,515,611)</u>

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 17. Trade and other payables

	<u>2024</u>	<u>2023</u>
	\$	\$
Trade payables	953,987,936	450,142,917
Accruals	43,234,384	59,192,564
Dividend payable	1,046,333	1,106,895
	<u>998,268,653</u>	<u>510,442,376</u>

### 18. Bank overdraft

	<u>2024</u>	<u>2023</u>
	\$	\$
National Commercial Bank Jamaica Limited	<u>16,256,388</u>	<u>-</u>

The company has approved overdraft limits totalling \$20,000,000 with National Commercial Bank Jamaica Limited. The rate of interest applicable to these overdraft accounts is 13% per annum.

### 19. Turnover

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

### 20. Other income

	<u>2024</u>	<u>2023</u>
	\$	\$
Tank rental	-	240,000
Commission	3,843,944	2,743,750
Other income	-	748,565
	<u>3,843,944</u>	<u>3,732,315</u>

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 21. Expenses by nature

	<u>2024</u>	<u>2023</u>
	\$	\$
Operating and administrative expenses:		
Accounting fee	2,140,000	2,749,000
Advertising and promotion	46,701,799	15,585,961
Amortization of right-of-use assets	10,451,536	548,321
Audit fee	8,250,000	5,800,000
Bank charges	26,944,751	22,493,851
Depreciation	173,554,274	28,416,394
Directors' fees	12,860,000	3,785,000
Donations	5,329,332	3,227,952
Insurance	19,026,704	8,298,096
Legal and professional fees	34,667,474	33,448,284
Motor vehicle expenses	30,295,616	4,647,809
Office expenses	50,397,912	11,345,230
Repairs and maintenance	8,458,893	18,026,651
Security	40,446,909	14,392,475
Staff costs (Note 24)	281,745,270	115,679,859
Utilities	24,282,403	11,753,655
Other expenses	15,620,362	7,088,885
	<u>791,173,235</u>	<u>307,287,423</u>
Impairment losses on financial assets	4,970,061	17,863,251
Cost of inventories recognised as expense	27,293,611,121	25,394,347,783
Finance costs/(income), net (Note 23)	155,449,047	(8,115,292)
	<u>28,245,203,464</u>	<u>25,711,383,165</u>



# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 22. Operating profit

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Auditors' remuneration	8,250,000	5,800,000
Depreciation	173,554,274	28,416,392
Amortization of right-of-use assets	10,451,536	548,321
Directors' emoluments		
Directors' fees	12,860,000	3,785,000
Management remuneration (included in staff costs)	22,572,271	15,000,000
Impairment losses on financial assets	10,851,826	17,863,251
Staff costs (Note 24)	<u>281,745,270</u>	<u>115,679,859</u>

### 23. Finance costs/(income), net

	<u>2024</u>	<u>2023</u>
	\$	\$
Foreign exchange gain, net	(285,118)	(2,053,145)
Interest income	<u>(20,233,035)</u>	<u>(23,364,777)</u>
	(20,518,153)	(25,417,922)
Lease interest expense	8,042,435	15,650
Interest expense	<u>167,924,765</u>	<u>17,286,980</u>
	<u>155,449,047</u>	<u>(8,115,292)</u>

### 24. Staff costs

	<u>2024</u>	<u>2023</u>
	\$	\$
Salaries and wages	229,249,121	96,116,371
Statutory contributions	26,485,089	10,981,936
Staff welfare	18,618,985	7,994,412
Casual labour	<u>7,392,075</u>	<u>587,140</u>
	<u>281,745,270</u>	<u>115,679,859</u>
Number of persons employed at the end of the year:		
Full time	<u>131</u>	<u>68</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2024

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#### 25. Taxation

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Deferred income taxes (Note 16)	<u>28,440,112</u>	<u>3,248,187</u>

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

	<u>2024</u>	<u>2023</u>
	\$	\$
Profit before taxation	<u>439,257,052</u>	<u>574,514,940</u>
Tax calculated at a tax rate of 25%	109,814,262	143,628,735
Adjusted for the effects of:		
Expenses not allowable for tax purposes	1,052,508	2,297,312
Remission of income tax	(82,204,562)	(142,677,860)
Deferred tax not recognized	<u>(222,096)</u>	<u>-</u>
	<u>28,440,112</u>	<u>3,248,187</u>

Deferred tax not recognized relates to accrued vacation leave, interest receivable and payable, unrealized foreign exchange gain and provision for ECL.

- (c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE) on April 23, 2021. Consequently, the company is eligible for remission of income taxes for a period of ten years, provided the following conditions are met:
- (i) The company's shares remain listed for at least 15 years and is not suspended from the JSE for any breaches of its rules.
  - (ii) The subscribed participating voting share capital of the company does not exceed \$500 million.

The remission will apply in the following proportions:

- (a) Years 1 to 5 (April 23, 2021 – April 22, 2026) – 100%
- (b) Years 6 to 10 (April 23, 2026 – April 22, 2031) – 50%

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 26. 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.

	<u>2024</u>	<u>2023</u>
	\$	\$
At the statement of financial position date: -		
Due from related parties-Trade receivables (Note 11):		
Coore's Limited	125,112,065	81,903,385
Mackville Car Rentals Limited	61,137,039	38,519,708
Alwil Company Limited	4,923,641	6,674,033
Petromac Servicentre Limited	37,635,994	12,351,617
T.M.&T. Associates Limited	34,880,682	330,360
	<u>263,689,421</u>	<u>139,779,103</u>
Due to related party-long term loan (Note 15)		
Fesco Founders Pool Limited	(74,545,500)	(74,545,500)
	<u>189,143,921</u>	<u>65,233,603</u>
Charged/(credited) to statement of comprehensive income: -		
Directors' fees	12,860,000	3,785,000
Management remuneration	22,572,271	15,000,000
Sales to related parties	<u>(10,740,709,777)</u>	<u>(11,265,389,669)</u>

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 27. Earnings per stock unit

	<u>2024</u>	<u>2023</u>
	\$	\$
Net profit attributable to stockholders of the company	<u>410,816,940</u>	<u>571,266,753</u>
Weighted average number of stock	<u>2,500,000,000</u>	<u>2,500,000,000</u>
Basic earnings per stock (\$ per stock)	<u>\$0.16</u>	<u>\$0.23</u>

Earnings per stock unit (“EPS”) is computed by dividing the net profit attributable to stockholders of 2024: \$410,816,940; (2023: \$571,266,753) by the weighted average number of ordinary stock units in issue during the year, numbering 2,500,000,000 (2023: 2,500,000,000).

### 28. Dividends

	<u>2024</u>	<u>2023</u>
	\$	\$
Declared at Nil; (2023: 0.016) cent per stock	-	<u>40,000,000</u>
Total dividends to stockholders	<u>-</u>	<u>40,000,000</u>

No dividends were declared during the current year.

In the prior year, the Board of Directors on September 23, 2022, approved by way of resolution, the declaration of dividends at \$0.016 per stock unit to be paid on October 28, 2022 to stockholders on record as at October 7, 2022.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

### 29. Contingent liabilities and commitments

In the normal course of business, the company is subject to various claims, disputes and legal proceedings, which occur as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its legal advisors, it is probable that a payment will be made by the Company and the amount can be reasonably estimated. In respect of claims asserted against the Company, which, according to the principles outlined above, have not been provided for, management is of the opinion that as at 31 March 2024, there were no significant legal claims threatened against the Company.

For the year ended 31 March 2024, management reported that the Company had capital commitments of \$75 Million (2023 - \$1.3 Billion).

### 30. Segment financial reporting

Management determines the operating segments based on the reports reviewed by the Managing Director that are used to make strategic decisions.

The Company operates two (2) segments which are exposed to similar risks as they operate wholesale and retail petroleum products and Liquefied Petroleum Gas (LPG). The principal divisions are:

- (i) Wholesale and retail distribution of petroleum products, including gasoline, diesel, ultra-low sulfur, asphalt and heavy fuel oil to customers.
- (ii) Liquefied Petroleum Gas – Distribution of Liquefied Petroleum Gas (LPG) to customers.

	<b>2024</b>		
	<b>Wholesale and Retail Fuel</b>	<b>LPG</b>	<b>Total</b>
	\$	\$	\$
Revenue from external customers	28,090,951,752	589,664,820	28,680,616,572
Operating profit/(loss)	658,836,891	(64,130,792)	594,706,099
Assets	3,749,127,374	1,565,993,508	5,315,120,882
Liabilities	1,247,647,296	1,809,625,879	3,057,273,175
Capital expenditure	661,149,735	270,812,867	931,962,602
Depreciation	73,422,113	100,132,161	173,554,274
Finance (income)/costs, net	(3,152,559)	158,601,606	155,449,047

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2024

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### 30. Segment financial reporting (continued)

	<b>2023</b>		
	<b>Wholesale and Retail Fuel</b>	<b>LPG</b>	<b>Total</b>
	\$	\$	\$
Revenue from external customers	26,282,165,790	-	26,282,165,790
Operating profit	566,399,648	-	566,399,648
Assets	1,996,185,666	1,830,591,150	3,826,776,816
Liabilities	589,503,487	1,935,416,017	2,524,919,504
Capital expenditure	243,887,349	1,395,312,802	1,639,200,151
Depreciation	28,416,392	-	28,416,392
Finance costs, net	8,115,292	-	8,115,292

**FUTURE ENERGY SOURCE COMPANY LIMITED  
(FESCO)**

**Top 10 Shareholders as at March 31, 2024**

	<b>Shareholder</b>	<b>Number of Shares</b>	<b>Shares</b>
1	Trevor Barnes & Arva Barnes	351,712,348	14.0685%
2	Errol McGaw	349,531,982	13.9813%
3	Barita Investments Ltd - Long A/C	272,928,527	10.9171%
4	Trevor Heaven Holdings Ltd.	219,768,155	8.7907%
5	Tweedside Holdings	215,862,436	8.6345%
6	Junior Williams	134,738,750	5.3896%
7	Neville Allen	134,330,478	5.3732%
8	Jeremy Barnes	95,000,000	3.8000%
9	Anna Williams -Bacchus	75,211,154	3.0084%
10	Roy Davidson	69,345,206	2.7738%
		1,918,429,036	76.7372%

Issued Shares

2,500,000,000

**FUTURE ENERGY SOURCE COMPANY LIMITED  
(FESCO)**

**Shareholdings of Directors and Senior Managers as at March 31, 2024**

<b>DIRECTORS</b>	<b>Personal Shareholdings</b>	<b>Connected Parties' Shareholdings</b>	<b>Total</b>	<b>% of Issued Shares</b>
Trevor Barnes	351,712,348	44,784,098	396,496,446	15.8599%
Jeremy Barnes	95,000,000	284,475	95,284,475	3.8114%
Harry Campbell	1,239,510	-	1,239,510	0.0496%
Hugh Coore	23,517,713	258,987,017	282,504,730	11.3002%
Gloria DeClou	270,000	-	270,000	0.0108%
Lyden Heaven	8,548,956	261,867,650	270,416,606	10.8167%
Vernon James	4,000,000	-	4,000,000	0.1600%
Errol McGaw	349,531,982	42,940,522	392,472,504	15.6989%
Eaton Parkins	13,558,038	11,867	13,569,905	0.5428%
Belinda Williams	250,000	-	250,000	0.0100%
Junior Williams	134,738,750	42,920,522	177,659,272	7.1064%
<b>SENIOR MANAGERS</b>				<b>% of Issued</b>
Omar Morgan	-	-	-	0.0000%
Rowena Nelson	378,063		378,063	0.0151%
Kareem Gordon	13,428		13,428	0.0005%
Stefan Lynshue			-	0.0000%
Annette Lewis	8,299		8,299	0.0003%
<b>COMPANY SECRETARY</b>				<b>% of Issued</b>
Kayola Muirhead	-	808,069	808,069	0.0323%

Issued Shares 2,500,000,000

Combined Directors' Holdings 982,367,297 39.295%

Combined Connected Party Holdings 480,094,063 19.204%

Combined Holdings 1,462,461,360 58.498%