Future Energy Source Company Limited

Financial Statements
31 March 2021

Future Energy Source Company Limited

Index
31 March 2021

9 Cargill Avenue
Kingston 10
Jamaica

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of
Future Energy Source Company Limited

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Future Energy Source Company Limited ("the Company") set out on pages 1 to 46, which comprise the statement of financial position as at 31 March 2021, the statement of comprehensive income, the statement of changes in equity and the statement cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We 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) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

…/2

Report on the audit of the Financial Statements (continued)

Responsibilities of Management and the Board of Directors for the Financial Statements (continued)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

…/3

bakertilly

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
Future Energy Source Company Limited
Page 3

Report on the audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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

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

Baker Tilly
Chartered Accountants
Kingston, Jamaica
21 June 2021

Future Energy Source Company Limited

Statement of Financial Position
As at 31 March 2021

	Note	2021	2020
		$	$
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	256,171,873	128,621,681
Right-of-use assets	6	2,355,654	5,824,258
Finance lease	7	11,158,770	13,809,106
		269,686,297	148,255,045
Current Assets			
Inventories	8	18,970,588	13,596,947
Receivables	9	134,077,117	129,971,728
Due from related parties	10	51,973,274	40,930,081
Taxation recoverable		188,898	188,898
Current portion of finance lease	7	3,973,293	2,272,262
Cash and cash equivalents	11	72,616,654	138,661,460
		281,799,824	325,621,376
TOTAL ASSETS		551,486,121	473,876,421
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	12	4,802,000	900
Retained earnings		313,622,142	205,461,743
		318,424,142	205,462,643
Non-Current Liabilities			
Long-term loan	13	23,302,763	36,654,037
Lease liabilities	6	738,603	2,678,516
Due to related parties	10	15,000,000	18,053,450
Deferred tax liabilities	14	827,892	677,029
		39,869,258	58,063,032
Current Liabilities			
Payables	15	145,100,122	167,181,530
Current portion of long-term loan	13	13,345,277	11,212,373
Current portion of lease liabilities	6	1,939,912	2,994,757
Taxation		32,807,410	28,962,086
		193,192,721	210,350,746
TOTAL EQUITY AND LIABILITIES		551,486,121	473,876,421

Approved for issue by the Board of Directors on 21 June 2021 and signed on its behalf by:

Director
Trevor Heaven

Director
Jeremy Barnes

Future Energy Source Company Limited

Statement of Comprehensive Income
Year ended 31 March 2021

	Note	2021	2020
		$	$
Turnover	16	5,853,523,710	5,936,346,825
Cost of sales		(5,661,937,112)	(5,758,006,328)
Gross profit		191,586,598	178,340,497
Operating and administrative expenses	17	(59,482,172)	(54,042,768)
Impairment losses on financial assets	3(a)	(755,574)	(487,423)
Operating profit	18	131,348,852	123,810,306
Finance income, net	19	9,430,451	12,985,174
Profit before taxation		140,779,303	136,795,480
Taxation	21	(32,618,904)	(32,023,808)
Net profit for the year, being total comprehensive income		108,160,399	104,771,672
Earnings per ordinary stock unit attributable to shareholders of the company	23	$0.15	$116,413

Future Energy Source Company Limited

Statement of Change in Equity
Year ended 31 March 2021

	Share Capital	Retained Earnings	Total
	$	$	$
Balances at 31 March 2019	900	100,690,071	100,690,971
Total comprehensive income	-	104,771,672	104,771,672
Balances at 31 March 2020	900	205,461,743	205,462,643
Issue of shares (Note 12)	4,801,100	-	4,801,100
Total comprehensive income	-	108,160,399	108,160,399
Balances at 31 March 2021	4,802,000	313,622,142	318,424,142

Future Energy Source Company Limited

Statement of Cash Flows
Year ended 31 March 2021

	2021	2020
	$	$
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Cash Flows from Operating Activities		
Profit before taxation	140,779,303	136,795,480
Adjustments for:		
Depreciation	3,431,463	1,470,805
Amortization on right-of-use assets	3,468,604	1,916,053
Impairment losses on financial assets	755,574	487,423
Foreign exchange gain	(5,051,603)	(3,742,371)
Lease interest expense	341,970	422,525
Interest income	(7,929,771)	(13,693,006)
Interest expense	3,208,953	4,027,678
	139,004,493	127,684,587
Changes in operating assets and liabilities: -		
Increase in inventories	(5,373,641)	(5,174,738)
(Increase)/decrease in receivables	(4,860,963)	7,810,484
(Decrease)/increase in payables	(22,081,408)	3,777,436
Due to related parties, net	(14,096,643)	(65,427,982)
Cash provided by operating activities	92,591,838	68,669,787
Income tax paid	(28,622,717)	(11,933,720)
Interest received	7,929,771	13,693,006
Interest paid	(3,550,923)	(4,450,203)
Cash provided by operating activities	68,347,969	65,978,870
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(130,981,655)	(1,717,575)
Proceeds from disposal of property, plant and equipment	-	8,815,979
Cash (used in)/provided by investing activities	(130,981,655)	7,098,404
Balance carried forward	(62,633,686)	73,077,274

Future Energy Source Company Limited

Statement of Cash Flows
Year ended 31 March 2021

	2021	2020
	$	$
Balance brought forward	(62,633,686)	73,077,274
Cash Flows from Financing Activities		
Issue of shares	4,801,100	-
Long term loans, net	(11,218,370)	(10,451,715)
Lease principal payments	(2,994,758)	(2,067,038)
Finance lease receivable, net	949,305	(16,081,368)
Cash used in financing activities	(8,462,723)	(28,600,121)
Net (decrease)/increase in cash and cash equivalents	(71,096,409)	44,477,153
Effect of foreign exchange on cash and bank	5,051,603	4,870,821
Cash and cash equivalents at the beginning of the year	138,661,460	89,313,486
CASH AND CASH EQUIVALENTS AT END OF YEAR	72,616,654	138,661,460
Represented by:		
Cash and cash equivalents	72,616,654	138,661,460

*During 2020, fixed assets held in storage were transfer to inventories at net book value.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

1. Identification and Principal Activities

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

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board and have been prepared under the historical cost convention, 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 comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes.

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

The following standard have been adopted by the business for the first time which have been issued and are effective for mandatory adoption for the financial year beginning on or after 1 April 2020:

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

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) Reporting (effective for annual periods beginning on or after 1 January 2020). The changes in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

- modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
- require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

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

COVID-19

Prior to the reporting date, the World Health Organisation declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread across the globe. Jamaica has been affected by the outbreak, which resulted in the Government of Jamaica declaring Jamaica a disaster area on March 13, 2020. This has disrupted business operations, caused a downturn in the economy and significantly increased economic uncertainty.

The Management of Future Energy Source Company introduced various measures during the early stage of the pandemic in order to minimize or mitigate any impending impact of the virus. Additionally, the Company adopted the recommended protocols and implemented new procedures geared at minimizing exposures and contact spreading.

Based on management assessment, the significance of the impact of Covid-19 on their operation was mitigated as a result of all aforementioned measures which were undertaken in a timely manner, and as a result there were no negative impact on the company's operation during the reporting year.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Annual Improvements to IFRS Standards 2018–2020 are effective for annual reporting periods beginning on or after 1 January 2022. The IASB issued its Annual Improvements to IFRSs 2015-2017 cycle amending a number of standards:

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ - Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.

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

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

- IAS 41 ‘Agriculture’ - Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

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 2021

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

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

(c) Property, plant and equipment

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

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

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

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

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

(d) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

(e) Share capital

Ordinary shares are classified as equity.

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

2. Summary of significant accounting policies (continued)

(f) Receivables

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

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

(g) Inventories

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

2. Summary of significant accounting policies (continued)

(h) Income taxes

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

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

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

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

(i) Payables

Payables, including provisions, are stated at their nominal value. A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, 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 provision of petroleum and automotive products.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

2. Summary of significant accounting policies (continued)

(k) Borrowings

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

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

Borrowing costs

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

2. Summary of significant accounting policies (continued)

(l) Related party transactions

A party is related to the company, if:

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

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

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

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

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

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

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

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

2. Summary of significant 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 2021

2. Summary of significant accounting policies (continued)

(m) Financial Instruments (continued)

Debt instruments

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

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

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

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

Impairment

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 2021

2. Summary of significant accounting policies (continued)

(n) Impairment

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

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

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

2. Summary of significant 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.

IFRS 16 was adopted 1 April 2019 without restatement of comparative figures. The following policies apply subsequent to the date of initial application, 1 April 2019.

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

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

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

To determine the incremental borrowing rate, the company:

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

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the 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 remeasure using the discount rate.

2. Summary of significant accounting policies (continued)

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

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

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

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

3. Financial risk management

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

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

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

(a) Credit risk

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

Risk management

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

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

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

3. Financial risk management (continued)

(a) Credit risk (continued)

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

The company does not hold any collateral as security.

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

- Trade receivables for sale of petroleum and automotive products.

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

Trade receivables
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 2021 or 31 March 2020 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 2021

3. Financial risk management (continued)

(a) Credit risk (continued)

On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 was determined as follows for trade receivables:

31 March 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	5.6%	5.6%	5.6%	5.6%	5.6%
Gross carrying amount – trade receivables	80,350,987	-	-	36,235,276	116,586,263
Loss allowance	4,506,708	-	-	2,029,175	6,535,883

31 March 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	4.6%	4.6%	4.6%	4.6%	4.6%
Gross carrying amount – trade receivables	82,541,992	-	-	43,577,895	126,119,887
Loss allowance	3,783,053	-	-	1,997,256	5,780,309

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

	Trade receivables 2021 $	Trade receivables 2020 $
Opening expected credit loss allowance	5,780,309	5,292,886
Increase in loss allowance recognised in profit or loss during the year	755,574	487,423
Closing expected credit loss allowance	6,535,883	5,780,309

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

3. Financial risk management (continued)

(a) Credit risk (continued)

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

As at 31 March 2021 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 loans to related parties and key management personnel and other receivables.

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

3. Financial risk management (continued)

(a) Credit risk (continued)

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

	2021	2020
	$	$
Impairment losses		
- movement in loss allowance for trade receivables	755,574	487,423
Net impairment losses on trade receivables	755,574	487,423

(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 2021

3. Financial risk management (continued)

(b) Liquidity risk

Undiscounted cash flows of financial liabilities

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

	1 to 3 months	3 to 12 months	1 to 5 Years	Total	Carrying amount
	$	$	$	$	$
			2021		
Long term loan	3,606,831	10,820,493	43,281,972	57,709,296	36,648,040
Lease liability	716,714	1,347,623	748,680	2,813,017	2,678,515
Payables	145,100,122	-	-	145,100,122	145,100,122
Due to related parties	-	-	15,000,000	15,000,000	15,000,000
	149,423,667	12,168,116	59,030,652	220,622,435	199,426,677
			2020		
Long term loan	3,306,831	10,820,492	40,877,415	55,004,738	47,866,410
Lease liability	834,784	2,504,353	2,813,017	6,152,154	5,673,273
Payables	167,181,530	-		167,181,530	167,181,530
Due to related parties	-	-	18,053,450	18,053,450	18,053,450
	171,323,145	13,324,845	61,743,882	246,391,872	238,774,663

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

(c) Market risk

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk

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

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

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Non-interest bearing	Total
	$	$	$	$	$	$
			2021			
Assets						
Finance lease	331,107	662,216	2,979,970	11,158,770	-	15,132,063
Receivables	-	-	-	-	134,077,117	134,077,117
Due from related parties	-	-	-	-	51,973,274	51,973,274
Cash and cash equivalents	1,508,177	-	68,468,565	-	2,639,912	72,616,654
Total financial assets	1,839,284	662,216	71,448,535	11,158,770	188,690,303	273,799,108
Liabilities						
Long term loan	1,112,106	2,224,212	10,008,959	23,302,763	-	36,648,040
Lease liabilities	161,659	323,319	1,454,934	738,603	-	2,678,515
Due to related parties	-	-	-	-	15,000,000	15,000,000
Payables	-	-	-	-	145,100,122	145,100,122
Total financial liabilities	1,273,765	2,547,531	11,463,893	24,041,366	160,100,122	199,426,677
Total interest re- pricing gap	565,519	(1,885,315)	59,984,642	(12,882,596)	28,590,181	74,372,431

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Non-interest bearing	Total
	$	$	$	$	$	$
			2020			
Assets						
Finance lease	189,355	568,066	1,514,841	13,809,106	-	16,081,368
Receivables	-	-	-	-	129,971,728	129,971,728
Due from related parties	-	-	-	-	40,930,081	40,930,081
Cash and cash equivalents	4,837,884	-	95,507,460	-	38,316,116	138,661,460
Total financial assets	5,027,239	568,066	97,022,301	13,809,106	209,217,925	325,644,637
Liabilities						
Long-term loan	902,679	2,742,029	7,567,665	36,654,037	-	47,866,410
Lease liabilities	231,815	731,500	2,031,442	2,678,516	-	5,673,273
Due to related parties	-	-	-	-	18,053,450	18,053,450
Payables	-	-	-	-	167,181,530	167,181,530
Total financial liabilities	1,134,494	3,473,529	9,599,107	39,332,553	185,234,980	238,774,663
Total interest re- pricing gap	3,892,745	(2,905,463)	87,423,194	(25,523,447)	23,982,945	86,869,974

3. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk

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

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

Financial assets denominated in foreign currency are as such: -

	2021	2020
	$	$
Cash at bank and cash equivalents	69,956,626	100,325,706

	2021	2020
Currency		
USD	$488,626	$757,018
Rate of exchange	JMD 143.17	JMD 132.53

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

Currency	**Change in exchange rate**	**2021**	**2020**
			$
Revaluation	2% (2020 -2%)	(1,399,132)	(2,006,514)
Devaluation	6% (2020 – 6%)	4,197,397	6,019,542

(d) Fair value estimates

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

The amount included in the financial statements for cash and cash equivalents, receivables, directors accounts and payables reflect their approximate fair values because of the short-term maturity of these instruments. Long term loan and lease liabilities approximates amortized costs. The fair value of due from related parties and directors’ loan cannot be reasonably assessed as there is no fixed repayment date.

4. Critical accounting estimates and judgments in applying accounting policies

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

(i) Impairment of financial assets

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

(ii) Income taxes

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

(iii) Depreciable assets

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

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

(iv) Valuation of financial instruments

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

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

(v) Leases

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

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

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

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

5. Property, plant and equipment

	Land	Furniture, fixtures & equipment	Computer equipment & software	Signage	Construction work in progress	Total
	$	$	$	$	$	$
Cost -						
1 April 2019	105,380,262	32,171,230	473,819	5,041,223	-	143,066,534
Additions	-	105,020	273,996	1,338,559	-	1,717,575
Transfer to inventory	-	(7,642,893)	-	(1,192,542)	-	(8,835,435)
31 March 2020	105,380,262	24,633,357	747,815	5,187,240	-	135,948,674
Additions	-	4,011,231	182,468	2,110,574	124,677,382	130,981,655
Disposal	-	(30,000)	-	-	-	(30,000)
31 March 2021	105,380,262	28,614,588	930,283	7,297,814	124,677,382	266,900,329
Depreciation -						
1 April 2019	-	4,777,523	416,802	681,319	-	5,875,644
Charge for year	-	1,216,668	17,757	236,380	-	1,470,805
Transfer to inventory	-	(19,456)	-	-	-	(19,456)
31 March 2020	-	5,974,735	434,559	917,699	-	7,326,993
Charge for year	-	2,588,851	164,805	677,807	-	3,431,463
Relieved on disposal	-	(30,000)	-	-	-	(30,000)
31 March 2021	-	8,533,586	599,364	1,595,506	-	10,728,456
Net Book Value -						
31 March 2021	105,380,262	20,081,002	330,919	5,702,308	124,677,382	256,171,873
31 March 2020	105,380,262	18,658,622	313,256	4,269,541	-	128,621,681

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

6. Right of use and related lease obligations

(i) Amounts recognised in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases: -

Right-of-use assets

	Property	Motor vehicles	Total
	$	$	$
1 April 2020	1,883,203	3,941,055	5,824,258
Amortization	(1,412,402)	(2,056,202)	(3,468,604)
31 March 2021	470,801	1,884,853	2,355,654

Lease liabilities

	2021	2020
	$	$
Current portion	1,939,912	2,994,757
Non-current portion	738,603	2,678,516
31 March 2021	2,678,515	5,673,273

(ii) Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2021	2020
	$	$
Amortization charged on right-of-use assets (included in administrative expenses)	3,468,604	1,916,053
Interest expense (included in finance costs)	341,970	422,525

(iii) Amounts recognized in the Statement of Cash Flows

	2021	2020
	$	$
Total cash outflow for leases	3,339,138	2,489,563

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

7. Finance lease

	2021	2020
	$	$
Gross investment in finance leases:		
Current portion	5,047,936	3,944,159
Non-current portion	14,545,807	18,060,459
	19,593,743	22,004,618
Less: unearned finance income	(4,461,680)	(5,923,250)
	15,132,063	16,081,368
Represented by: -		
Current portion	3,973,293	2,272,262
Non-current portion	11,158,770	13,809,106
	15,132,063	16,081,368

8. Inventories

	2021	2020
	$	$
Pumps and supplies	14,322,722	13,596,947
Goods in transit	4,647,866	-
	18,970,588	13,596,947

For the years ended 31 March 2021 and 2020, inventories of Nil (2020: Nil) were written off during the year.

9. Receivables

	2021	2020
	$	$
Trade receivables	116,586,263	126,119,887
Other	24,026,737	9,632,150
	140,613,000	135,752,037
Less: Impairment losses on financial assets (Note 3(a))	(6,535,883)	(5,780,309)
	134,077,117	129,971,728

10. Due from/(to) related parties

		2021	2020
		$	$
Due from related parties:			
Coore's Limited		13,159,076	5,481,162
Mackville Car Rentals Limited		27,045,412	31,333,544
Petromac Servicentre Limited		3,116,145	4,115,375
Alwil Company Limited		8,314,138	-
T.M.&T Associates Limited		338,503	-
	(a)	51,973,274	40,930,081
Due to related parties:			
T.M.&T. Associates Limited	(a)	-	(53,450)
Directors' loans	(b)	(15,000,000)	(18,000,000)
		(15,000,000)	(18,053,450)
		36,973,274	22,876,631

(a) These companies, T. M. &T. Associates Limited, Coore's Limited, Mackville Car Rentals Limited, Alwil Company Limited and Petromac Servicentre Limited are companies related by common shareholders and directors. These balances are trading balances and are in line with the company's credit terms.

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

11. Cash and cash equivalents

	2021	2020
Short term deposits	**$**	**$**
Barita Investments Limited	12,970,811	13,372,114
NCB Capital Markets Limited	55,478,116	82,115,708
Cornerstone Trust & Merchant Bank Limited	19,638	19,638
	68,468,565	95,507,460
Cash at bank	4,148,089	43,154,000
	72,616,654	138,661,460

i. Short term deposits are held at licensed financial institutions and attract interest at 2% - 4% per annum. They all have remaining maturities of less than one year, substantially comprise Reverse Repurchase Agreements on Certificates of Participation, consisting of interest in, or is collaterised by mainly Government of Jamaica and Bank of Jamaica Securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The risk is managed primarily by reviews of the financial status of the counterparty.

ii. Cash at bank comprise savings and non-interest-bearing current accounts at licensed commercial banks in Jamaica.

The rate of interest earned on the company's savings accounts range from 0.10% to 0.35% for accounts that are denominated in United States Dollars, and 0.35% for those that are denominated in Jamaican Dollars.

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

12. Share capital

	2021 No. of shares	2020 No. of shares
Authorised ordinary shares at no par value	2,500,000,000	1,000

	2021 $	2020 $
Issued and fully paid 2,200,000 (2020:900) ordinary shares at no par value		
At the beginning of year	900	900
Issue of shares during the year	4,801,100	-
At end of year	4,802,000	900

There was an increase in the number of authorised stock units during the year of 2,499,999,000 bringing the authorised number of shares to 2,500,000,000. On 8th December 2020, 2,199,999,100 stock units were issued to the existing shareholders.

13. Long term loan

	2021 $	2020 $
Cornerstone Trust & Merchant Bank Limited	36,648,040	47,866,410
Less: Current portion	(13,345,277)	(11,212,373)
	23,302,763	36,654,037

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

The loan is secured by the following:
First legal mortgage over the undernoted parcels of real estate:

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

14. 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:

	2021	2020
	$	$
Deferred income tax liabilities	(827,892)	(677,029)
Balance at end of year	(827,892)	(677,029)

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

	2021	2020
	$	$
Balance at beginning of year	(677,029)	(357,323)
Deferred income charged to the statement of comprehensive income (Note 21)	(150,863)	(319,706)
Balance at end of year	(827,892)	(677,029)

Deferred income tax liabilities are attributable to the following items:

	2021	2020
	$	$
Deferred income liabilities:		
Decelerated tax depreciation	(827,892)	(677,029)
Net liabilities at end of year	(827,892)	(677,029)

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

	2021	2020
	$	$
Deferred tax liabilities to be settled:		
- after more than 12 months	(827,892)	(677,029)
- within 12 months	-	-
	(827,892)	(677,029)

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

15. Payables

	2021	2020
	$	**$**
Trade payables	134,765,904	157,665,613
Accruals	10,334,218	9,515,917
	145,100,122	167,181,530

16. Turnover

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

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

17. Expenses by nature

	2021	2020
	$	$
Accounting fee	300,000	250,000
Advertising and promotion	6,453,522	5,653,263
Amortization of right-of-use assets	3,468,604	1,916,053
Audit fee	2,400,000	1,650,000
Bank charges	647,247	473,699
Depreciation	3,431,463	1,470,805
Directors' fees	1,500,000	4,250,000
Donation	213,357	1,319,746
Legal & professional fees	5,322,800	8,049,427
Office expenses	3,439,894	2,555,325
Repairs and maintenance	2,851,676	1,905,668
Staff costs (Note 20)	23,551,789	20,654,275
Utilities	1,487,023	1,155,179
Other expenses	4,414,797	2,739,328
	59,482,172	54,042,768
Impairment losses on financial assets	755,574	487,423
Cost of inventories recognised as expense	5,661,937,112	5,758,006,328
Finance income, net (Note 19)	(9,430,451)	(12,985,174)
	5,712,744,407	5,799,551,345

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

18. Operating profit

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

	2021	2020
	$	$
Auditors' remuneration	2,400,000	1,650,000
Depreciation	3,431,463	1,470,805
Amortization of right-of-use assets	3,468,604	1,916,053
Directors' fees	1,500,000	4,250,000
Impairment losses on financial assets	755,574	487,423
Staff costs (Note 20)	23,551,789	20,654,275

19. Finance income, net

	2021	2020
	$	$
Foreign exchange gain, net	(5,051,603)	(3,742,371)
Interest income	(7,929,771)	(13,693,006)
	(12,981,374)	(17,435,377)
Lease interest expense	341,970	422,525
Interest expense	3,208,953	4,027,678
	(9,430,451)	(12,985,174)

20. Staff costs

	2021	2020
	$	$
Salaries and wages	18,843,720	16,053,413
Statutory deductions	1,912,246	1,570,707
Staff welfare	2,795,823	3,027,655
Casual labour	-	2,500
	23,551,789	20,654,275

	2021	2020
Number of persons employed at the end of the year:		
Full time	7	6

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

21. Taxation

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

	2021	2020
	$	$
Income tax at appropriate rate	32,468,041	31,704,102
Deferred income taxes (Note 14)	150,863	319,706
	32,618,904	32,023,808

(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:

	2021	2020
	$	$
Profit before taxation	140,779,303	136,795,480
Tax calculated at a tax rate of 25%	35,194,825	34,198,870
Adjusted for the effects of:		
Expenses not allowable for tax purposes	260,053	221,464
Employment tax credit	(2,835,974)	(2,396,526)
	32,618,904	32,023,808

Future Energy Source Company Limited

Notes to the Financial Statements
31 March 2021

22. 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.

	2021	2020
	$	$
At the statement of financial position date: -		
Due from related parties:		
Coore's Limited	13,159,076	5,481,162
Mackville Car Rentals Limited	27,045,412	31,333,544
Alwil Company Limited	8,314,138	-
Petromac Servicentre Limited	3,116,145	4,115,375
T.M.&T. Associates Limited	338,503	-
	51,973,274	40,930,081
Due to related parties:		
T.M.&T. Associates Limited	-	(53,450)
	-	(53,450)
Directors' loans	(15,000,000)	(18,000,000)
	(15,000,000)	(18,053,450)
	36,973,274	22,876,631
Charged to statement of comprehensive income: -		
Directors' fees	1,500,000	4,250,000
Sales to related parties	(3,456,726,952)	(3,357,792,312)

23. Earnings per stock unit

Earnings per stock unit ("EPS") is computed by dividing the net profit attributable to stockholders of $108,160,399 (2020: $104,771,672) by the weighted average number of ordinary stock units in issue during the year, numbering 704,494,994 (2020: 900).

The increase in number of shares represents shares issued through an offer to existing shareholders of 2,199,999,000 on 8 December 2020. (See Note 12).