



**FESCO**   
**20 ANNUAL  
22 REPORT**

**GROWTH**  
THIS IS JUST THE  
BEGINNING

# AVAILABLE AT FESCO STATIONS

## FUTROIL



GEAR OIL



MARINE & YARD  
MACHINES



MOTOR CARS



TRUCKS &  
HEAVY DUTY  
VEHICLES

**DIESEL**

**ULTRA-LOW  
SULPHUR DIESEL**

**coming soon**



**SUPREME+ E10 90**

**SUPREME+ E10 87**

**E10  
BLEND 88**

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# AVAILABLE AT FESCO STATIONS

Proudly Jamaican Auto Care Products



*When quality and value matters, choose*

# FUTRLUBE



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 2022 ANNUAL GENERAL MEETING of FUTURE ENERGY SOURCE COMPANY LIMITED (“the Company”) will be held as a hybrid meeting (see **Meeting Instructions** below) at The Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, in the parish of Saint Andrew, Jamaica, and electronically via <https://iteneri.com/fesco> at 10:30am on Friday, September 23, 2022 to transact business described, and to consider and if thought fit pass the resolutions, as follows:-

## ORDINARY BUSINESS

### Ordinary Resolutions

#### 1. Audited Accounts for the Year Ended March 31, 2022

Resolution:

“**THAT** the Audited Accounts for the year ended March 31, 2022 **AND** the Reports of the Directors and the Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted.”

#### 2. Ratification and Declaration of Dividends

a) Resolution:

“**THAT** the interim dividend for the year ended March 31, 2022 of \$0.01 per share of record date April 22, 2022 and paid June 24, 2022 be and is hereby ratified.”

b) Resolution:

“**THAT** as recommended by the Directors, a final dividend payment for the year ended March 31, 2022 at \$0.016 per ordinary share of record date October 7, 2022, ex-dividend date October 6, 2022 and payable October 28, 2022 be and is hereby declared.”

#### 3. Election of Directors

In accordance with **Article 102** of the Company’s Articles of Incorporation one-third of the Directors (not including the Managing Director – Article 120) are retiring by rotation, and being eligible offer themselves for re-election (Article 104), they are: Mr. Trevor Barnes, Mr. Hugh Coore, Mr. Errol McGaw, and Mr. Junior Williams.

Resolutions:

a) “**THAT**a) Mr. Trevor Barnes, retired by rotation, be and is hereby re-elected a Director.”

b) “**THAT** b) Mr. Hugh Coore, retired by rotation, be and is hereby re-elected a Director.”

c) “**THAT** c) Mr. Errol McGaw, retired by rotation, be and is hereby re-elected a Director.”

d) “**THAT** d) Mr. Junior Williams, retired by rotation, be and is hereby re-elected a Director.”

#### 4. Re-Appointment of Auditors and their Remuneration

Resolution:

“**THAT** the Auditors, Baker Tilly Strachan Lafayette (t/a Bakertilly), having indicated their willingness to continue in office, be and are hereby re-appointed until the conclusion of the next annual general meeting, at a remuneration to be fixed by the Directors.

#### 5. Remuneration of Directors

a) “**THAT** the Directors be and are hereby empowered to fix the remuneration of the Executive Directors.”

b) “**THAT** the total Director fees for Non-Executive Directors in the sum of \$4,955,000.00 in the Accounts for the year ended March 31, 2022, be and is hereby approved”

#### 6. Resolutions in respect of any other competent business.

### IMPORTANT NOTE FOR MEMBERS WHO ARE NOT ABLE TO ATTEND:

A Member of the Company entitled to attend and vote at this meeting is entitled to appoint another person as a Proxy to attend and vote on his/her behalf, and a Proxy need not be a Member. If you are not able to attend in-person or online, enclosed is a Proxy Form for your convenience. When completed, this Form must be deposited at the Registrar of the Company, the Jamaica Central Securities Depository Limited (JCSD), at 40 Harbour Street, Kingston, Jamaica at least **48 hours** before the time appointed for this Meeting. The Proxy Form shall bear the stamp duty of \$100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person signing the Proxy.

Dated this 12th day of August, 2022

BY ORDER OF THE BOARD OF DIRECTORS



KAYOLA MUIRHEAD  
COMPANY SECRETARY

## Meeting Instructions

1. Members (or their Proxies) and Non-Members of the Company are required to register to attend the Annual General Meeting (AGM) in-person or on-line.

### Registration for In-Person Attendance

2. A limited number of individuals are able to attend in-person and must RSVP by email with subject “**AGM Attendance**” indicating **name, membership status (member, proxy or non-member), and contact number by midnight on Wednesday, September 14, 2022** to [investors@fescoja.com](mailto:investors@fescoja.com) and await email confirmation.

### Registration for Online Attendance

3. During the period September 12 - 21, 2022, visit <https://iteneri.com/fesco> (Google Chrome browser is recommended) with your JCSD number to complete registration.

4. Your JCSD number may be confirmed by:

- a. Reviewing your dividend cheque or payment advice for “Account Number”.
- b. Contacting the Registrar Services Unit of the Jamaica Central Securities Depository (JCSD) at (876)967-3271 or via e-mail at [jcsdrs@jamstockex.com](mailto:jcsdrs@jamstockex.com).
- c. Contacting your investment broker

5. On completion of registration and verification an electronic link and password will be sent to the same e-mail address that was used for registration. The link and password may be used by only one user and should not be shared with anyone.

### Participation (In-person & Online)

6. The online platform’s chat feature will be enabled and the attendees’ microphones muted for the entire duration of the general meeting.

7. Questions may be submitted by email to [investors@fescoja.com](mailto:investors@fescoja.com) up to 10am the morning of the AGM, however questions related to the Audited Accounts may also be submitted using the Question and Answer option on the virtual platform. Questions will be addressed during the time allotted to Questions & Answers on the Agenda.

8. Only registered Members or their Proxies may vote on resolutions. Voting may be done prior to the start of the AGM.

9. Persons experiencing any problems in the registration process or who have any questions regarding the registration and participation in the AGM, should send an e-mail to our Registrar at [jcsdrs@jamstockex.com](mailto:jcsdrs@jamstockex.com).



Place J\$100 adhesive stamp here

FUTURE ENERGY SOURCE COMPANY LIMITED

FORM OF PROXY

I/We,.....of

being a member/members of Future Energy Source Company Limited ("the Company"), hereby appoint

.....of

.....or failing him/her

.....of

.....as my/our proxy to vote

for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, the 23rd day of September, 2022 at 10:30am, and at any adjournment thereof.

This form is to be used in favour of/against the resolution, by marking "X" in the box for the desired vote column. Unless otherwise instructed, the proxy will vote as he/she thinks fit.

RESOLUTION	FOR	AGAINST
1	<input type="checkbox"/>	<input type="checkbox"/>
2 (a)	<input type="checkbox"/>	<input type="checkbox"/>
2 (b)	<input type="checkbox"/>	<input type="checkbox"/>
3 (a)	<input type="checkbox"/>	<input type="checkbox"/>
3 (b)	<input type="checkbox"/>	<input type="checkbox"/>

RESOLUTION	FOR	AGAINST
3 (c)	<input type="checkbox"/>	<input type="checkbox"/>
3 (d)	<input type="checkbox"/>	<input type="checkbox"/>
4	<input type="checkbox"/>	<input type="checkbox"/>
5 (a)	<input type="checkbox"/>	<input type="checkbox"/>
5 (b)	<input type="checkbox"/>	<input type="checkbox"/>

Dated this            day of            , 2022.

Signed.....

Notes:

1. This Form of Proxy must be deposited at the Registrar of the Company, the Jamaica Central Securities Depository Limited (JCSD), at 40 Harbour Street, Kingston, Jamaica at least 48 hours before the Meeting.
2. An adhesive stamp for \$100.00 must be affixed to this Form of Proxy.
3. If the appointer is a Corporation this Form of Proxy must be executed under its Common Seal.

# OUR VISION



Our vision is to be Jamaica's most:

- Customer-centric;
- Dealer-centric; and
- Community-centric fuel distribution marketing company, providing customers with a superior experience where value and convenience matters.

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# OUR MISSION

Our mission is to improve the experience of our customers by enabling convenient and seamless access to our goods and services, enhance the communities in which we operate and provide above-average returns to our shareholders as measured by return on invested capital ("ROIC")

We:

- Observe the highest standards of integrity, safety and productivity in the conduct of our business.
- Monitor dealer locations regularly to ensure compliance with the safety protocols that we have established for employee training, emergency response drills and asset inspection and maintenance
- Utilize the best technology available.
- Enhance customer value and customer experience.
- Pursue and engender profitable and fair relationships with customers and dealers.
- Foster, develop and support the Jamaican economy through a program of local investment and reinvestment, charitable initiatives and employment enhancement.



# HOW WE GOT HERE



FESCO Beechwood under construction



FESCO Ferry under construction



Founders say farewell to Paraiso Office



First Meeting of the Board of Directors at Beechwood Office



FESCO Beechwood Completes Construction



FESCO Ferry Completes Construction

# Performance Snapshot

FESCO's excellent performance for the year ended March 31, 2022, which includes record profits, successful capital raises, new store openings, and new product offerings should be evaluated within the context of:

1. Global pandemic which affected all segments of society and industry, including the petrol trade.
2. Restricted opening hours and extended curfews
3. Increasing world oil and fuel prices

## Gross Profits



## Net Profit Attributable to shareholders:



## Book Value of Equity



## Earnings Per Share



## Litres of Fuel Sold for the month of:



## Opened Two New Stations

(FESCO Ferry and FESCO Beechwood)

Introduced <sup>VE10</sup>BLEND **88** to the market

# Seven Year Performance Review

	2016	2017	2018	2019	2020	2021R	2022	Change	Change
	\$	\$	\$	\$	\$	\$	\$	+/- (%)	\$
<b>Statement of Income Summary</b>									
Turnover/Income	3,754,099,608	4,115,233,824	4,612,733,969	5,439,709,125	5,936,346,825	5,856,757,502	12,671,115,147	116.4%	6,814,357,645
Cost of Goods Sold (COGS)	(3,725,913,612)	(4,083,070,607)	(4,538,638,076)	(5,348,995,804)	(5,759,006,328)	(5,661,937,112)	(12,279,898,907)	116.9%	(6,617,961,795)
Gross Profit	28,185,996	32,163,217	74,095,893	90,713,321	178,340,497	194,820,390	391,216,240	100.8%	196,395,850
Selling, General & Admin Expenses	(11,365,185)	(13,718,204)	(28,665,902)	(37,302,202)	(54,530,191)	(60,128,596)	(136,267,241)	126.6%	(76,138,645)
Operating Profit/(Loss)	16,820,811	18,445,013	45,429,991	53,411,119	123,810,306	134,691,794	254,948,999	89.3%	120,257,205
Finance (Costs)/Income	(1,007,458)	(633,174)	(1,033,277)	(3,254,934)	12,985,174	6,087,509	2,935,693	-51.8%	(3,151,816)
Profit Before Taxation	15,813,353	17,811,839	44,396,714	50,156,185	136,795,480	140,779,303	257,884,692	83.2%	117,105,389
Taxation	(3,659,678)	(4,161,704)	(11,826,534)	(10,463,509)	(32,023,808)	(32,618,904)	(4,244,248)	-87.0%	28,374,656
Net Profit	12,153,675	13,650,135	32,570,180	39,692,676	104,771,672	108,160,399	253,640,444	134.5%	145,480,045
<b>Statement of Financial Position</b>									
Non Current Assets	3,508,646	20,413,535	30,114,287	137,190,890	148,255,045	269,686,297	1,140,666,641	323.0%	870,980,344
Current Assets	59,461,912	103,015,003	240,341,172	322,257,055	325,621,376	281,799,824	1,653,880,132	486.9%	1,372,080,308
Current Liabilities	45,361,009	46,823,136	121,488,951	181,757,783	210,350,746	208,192,721	1,017,220,679	388.6%	809,027,958
Net Current Assets	14,100,903	56,191,867	118,852,221	140,499,272	115,270,630	73,607,103	636,659,453	764.9%	563,052,350
Equity	17,531,521	31,181,656	63,751,836	100,690,971	205,462,643	318,424,142	770,590,559	142.0%	452,166,417
Non Current Liability	78,028	45,423,746	85,214,672	176,999,191	58,063,032	24,869,258	1,006,735,535	3948.1%	981,866,277
Debt/Equity (Static)	0.0045	1.4567	1.3367	1.7578	0.2826	0.0781	1.3064		
Current Ratio	1.31	2.20	1.98	1.77	1.55	1.35	1.63		
ROE (before tax) - average		73.1%	93.5%	61.0%	89.4%	53.7%	47.4%		
Effective Tax Rate	23.1%	23.4%	26.6%	20.9%	23.4%	23.2%	1.6%		
Net Profit margin	0.32%	0.33%	0.71%	0.73%	1.76%	1.85%	2.00%		
Gross Profit Margin	0.75%	0.78%	1.61%	1.67%	3.00%	3.33%	3.09%		
<b>Year over year growth:</b>									
Net Profit		12.3%	138.6%	21.9%	164.0%	3.2%	134.5%		
Book Value of Equity		77.9%	104.5%	57.9%	104.1%	55.0%	142.0%		

# BUSINESS BRIEF

**Future Energy Source Company Limited(FESCO) is a distributor of Petroleum products, Petroleum equipment and technologies, Lubricants, Chemicals and Purified drinking water. We distribute our products and services to a growing network of dealer owned service stations, commercial customers and retail customers.**

Our product offering includes:

**Petroleum Products:**

E10 87, E10 88 Blend, E10 90, Automotive Diesel Oil (ADO), Ultra Low Sulphur Diesel (ULSD), Asphalt (Bitumen), Heavy Fuel Oil (HFO), and Kerosene.

**Petroleum Equipment:**

Fuel storage tanks, dispensers, service station management equipment, fleet management and tank gauging equipment and technology

**Lubricant and Chemicals:**

We distribute our proprietary brand of API certified “FUTROIL” motor oils, “FUTRLUBE” windscreen washes and coolants

**Water:**

We distribute FYC drinking water



# CORPORATE STRUCTURE

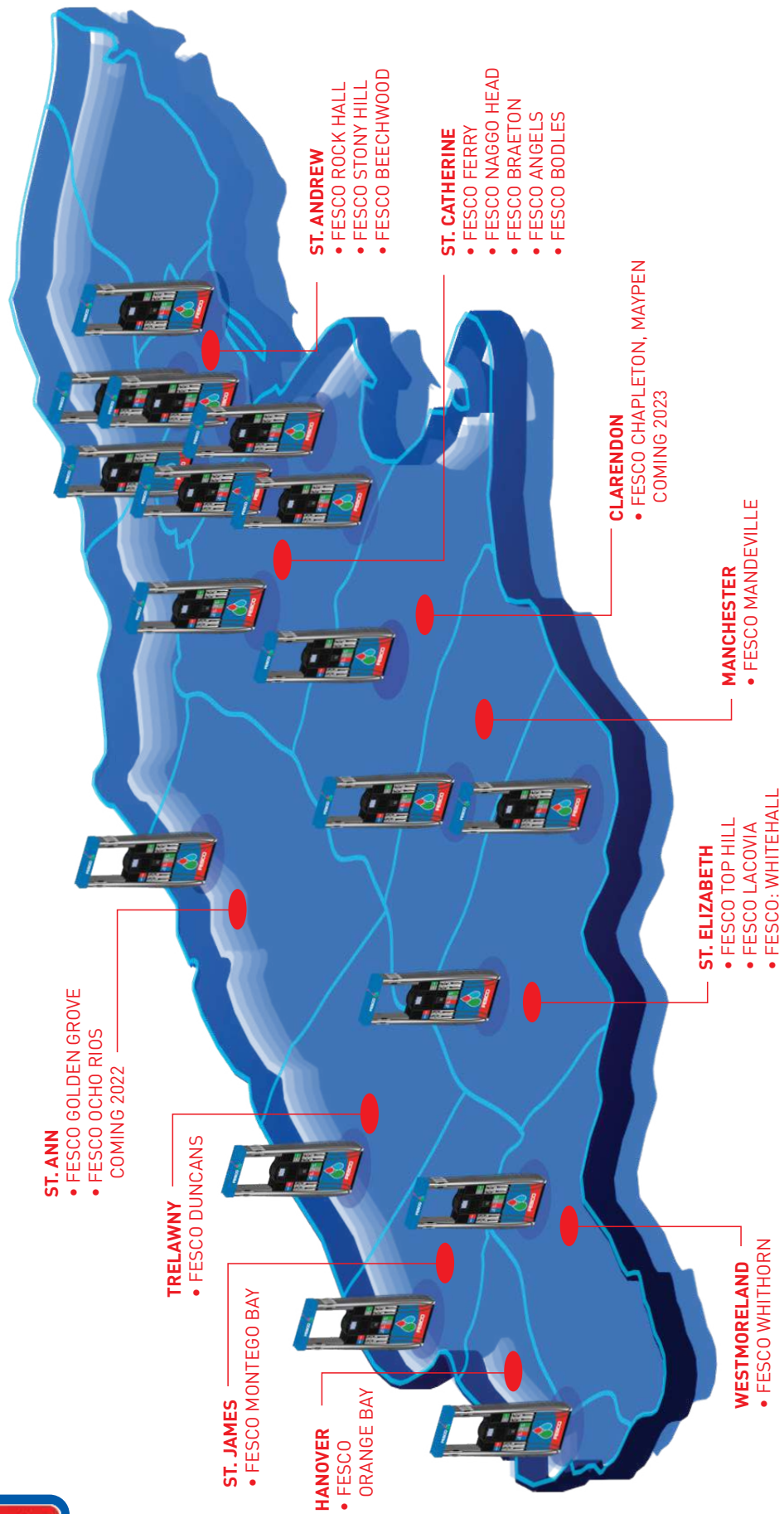


9,000 + EXISTING SHAREHOLDERS



Future Energy Source Company  
Limited

# LOCATIONS



# CORPORATE SOCIAL RESPONSIBILITY

We at FESCO strongly believe that our corporate responsibility goes beyond simply providing solutions that are of great value to our customers. We develop, and foster mutually beneficial relationships with our employees, dealers, suppliers and various stakeholders groups, while complying with laws and regulations, reducing our carbon footprint, employing ethical trading practices, and importantly, giving back to our community and country.

During the year, donations in kind were made to schools and students to assist with infrastructural needs and access to information/internet. We also supported many initiatives to encourage taxi drivers to get vaccinated (COVID -19) by donating gas vouchers and hosting vaccination drives.

Over the period, FESCO and its dealers contributed to local sports development through event and team sponsorship of several local sporting initiatives. We supported youth football competitions, motor racing events, triathlons, chess tournaments, golf tournaments and cricket tournaments.

Our support was not only limited to our borders, as we assisted our regional neighbour St. Vincent & the Grenadines during their time of need following the La Soufriere volcanic eruption 2021 by donating much needed cases of FYC drinking water.

Throughout our network, FESCO and its dealers have implemented initiatives to reduce our carbon footprint and operate in a more environmental friendly and sustainable manner. Solar panels, water harvesting systems, investments in energy efficient equipment and vapour recovery systems at retail sites were some of measures taken to improve our environmental friendliness.

FESCO pledges its efforts towards a brighter and more sustainable Jamaica for all! FESCO - Proudly Jamaican!



# CHAIRMAN'S MESSAGE



Dear Shareholders,

Future Energy Source Company Limited (“FESCO”) has powered through the year, having successfully listed on the Junior and Private Markets of the Jamaica Stock Exchange, raised \$1.4 billion and gained more than 4000 new shareholders.

The COVID-19 pandemic shook the world, threatening our health and livelihood, and causing great uncertainty. Global supply chain disruptions and rising rates of inflation continued to be a concern, which was exacerbated by the Russia-Ukraine conflict. However, despite the global health, logistics and economic challenges, FESCO added new dealer locations, commenced the operation of its first company owned and operated service station on Beechwood Avenue, and introduced E10 88 blend, an innovative and affordable fuel option. FESCO, with the support of its customers and dealer network, achieved an increase in market share and had a year of remarkable increase in profits.

FESCO is committed to long-term growth, which we plan to continue to pursue within the framework outlined in our governance policy. As we begin a new financial year, we look forward to continuing to expand our dealership network, increasing fuel blend options and solidifying plans for entering the Liquefied Petroleum Gas (LPG) market.

On behalf of the Board of Directors, I would like to thank the customers, staff, dealers, and shareholders of FESCO for your continued confidence and support.

A handwritten signature in black ink, appearing to read 'Trevor Heaven', written over a thin horizontal line.

Trevor Heaven  
Executive Chairman



# DIRECTORS' PROFILES



## Lyden D. "Trevor" Heaven – EXECUTIVE CHAIRMAN

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



## Eaton Parkins – LEAD INDEPENDENT DIRECTOR

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



## Jeremy Barnes – MANAGING DIRECTOR

Mr. Jeremy Barnes is a senior executive with extensive experience in operations management, financial analysis and financial management. He has over twenty (25) years of experience in the fuel trade, holding positions of dealer and managing director prior to his engagement at FESCO. He holds a Master of Business Administration from the Mona School of Business, University of the West Indies and a Bachelor of Business Administration in Finance from the Zicklin School of Business Baruch College in New York City, U.S.A where he graduated Summa Cum Laude and was the recipient of the Irvine Fromme academic Scholarship for International Finance. Mr Barnes is a former chief financial officer and chief operating officer of Marathon Insurance Brokers and Federal Capital Group Limited.

# DIRECTORS' PROFILES



## Hugh Coore – FOUNGING DIRECTOR

Mr. Hugh Coore has a very long and active career in the petroleum industry, being the owner & operator of service stations and a petroleum haulage contractor. Mr. Coore is the owner/operator of FESCO Angels in Spanish Town and FESCO Ferry (both FESCO's DODOs). In addition to being a Director of the JGRA for fifteen (15) years, Mr. Coore is a Director of Cornerstone Financial Holdings Limited. Mr. Coore is also a Kiwanian.



## Errol McGaw – FOUNGING DIRECTOR

Mr. Errol McGaw's long, illustrious and diverse career in the petroleum industry qualifies him as a true professional having had the unique experience of working in all three sectors of the industry. His forty-six (46) years are divided into two (2) years as a refinery process technician, ten (10) years as a marketing executive at Esso Standard Oil (Exxon), and thirty-five (35) years as owner and operator of Petromac Servicentre Ltd. Stony Hill Square (FESCO's DODO in Stony Hill). In addition to his extensive training while at Esso, Mr. McGaw also holds a Bachelor of Science Degree with a major in Marketing from the University of Oregon, USA. He has served the Executive Committee of the JGRA in various positions over the years.



## Junior Williams – FOUNGING DIRECTOR

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



## Trevor Barnes – FOUNGING DIRECTOR

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

# DIRECTORS' PROFILES



## Harry Campbell – INDEPENDENT NON-EXECUTIVE DIRECTOR

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



## Belinda Williams – INDEPENDENT NON-EXECUTIVE DIRECTOR

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



## Gloria Declou – INDEPENDENT NON-EXECUTIVE DIRECTOR

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



## Vernon James – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Vernon James leads the fully digital start-up TFOB (2021) Limited, which manages the first digital financial services— LYNK. As the Chief Executive Officer of TFOB (2021) Limited, Mr. James taps into his vast, strong and innovative leadership experience garnered over decades in the banking and insurance industries.

Mr. James holds a Master of Science Degree in Financial Mathematics from the Warwick University in England and a Bachelor’s Degree in Mathematics from the University of the West Indies. Mr. James acquired expertise in portfolio management and development at NCB Insurance Company, which he led for eight years. Prior to joining the NCB Group in 2008, he managed investments and securities trading at Scotia Investments Jamaica Limited. Mr. James also serves as a Director on the N.C.B. Foundation’s Board.

# CORPORATE SECRETARY & MENTOR



## Kayola Muirhead – CORPORATE SECRETARY

Mrs. Kayola Muirhead is a practising Attorney-at-Law with experience in corporate, commercial and litigation matters. Mrs. Muirhead is responsible for company secretarial duties that include providing general advice to the board of directors, supporting their enhancement and oversight of the governance framework, as well as ensuring the company's compliance with legal and regulatory obligations.

Mrs. Muirhead has had a working relationship with international and diplomatic entities, teaching English and as a business matching consultant and translator between Hispanic professionals, Jamaican companies and government agencies in the petroleum and construction industries.

Mrs. Muirhead was awarded a Bachelor of Science Degree in International Relations with a minor in Spanish and a Bachelor of Laws Degree by the University of the West Indies, Mona and Cave Hill campuses respectively, as well as a Legal Education Certificate by the Norman Manley Law School.



## Lissant L. Mitchell – MENTOR

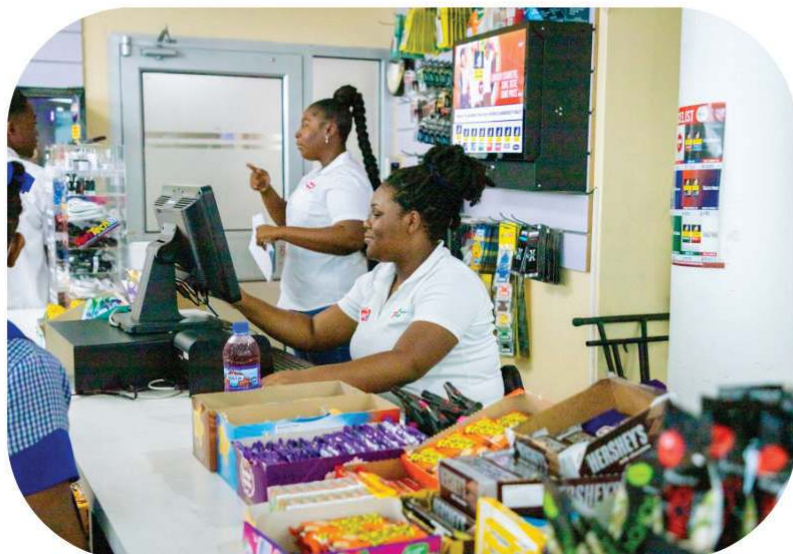
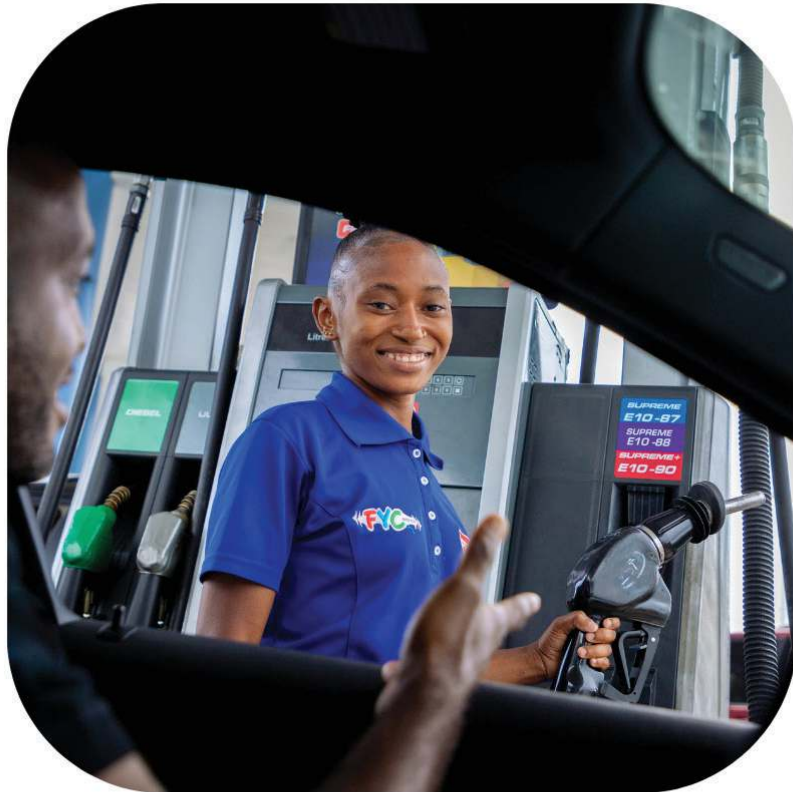
Mr. Lissant L. Mitchell, is an experienced financial services professional with a successful career spanning over twenty-five years at the senior management and executive levels. With tenures at local institutions as well as regional and international financial groups, he has a proven track record in designing and executing long term sustainable strategic priorities, change management, divestitures, mergers, acquisitions and share ownership privatization.

A former Senior Vice President of Wealth Management at Scotiabank Group Jamaica Limited & former Chief Executive Officer at Scotia Investments Jamaica Limited (SIJL), Mr. Mitchell is currently serving as a director of the National Insurance Fund Advisory Board in the capacity of the Chair of its Investment and Real Estate Committees, Indies Pharma Jamaica Limited in the capacity of the Chair for its Audit and Finance Committee and Consolidated Bakeries Limited (PURITY). He is the Jamaica Stock Exchange Junior Market Mentor for the latter two entities. He has also held directorships with the Jamaica Stock Exchange, SIJL and a number of companies within the Scotiabank Group locally and regionally.

Mr. Mitchell has a Master's in Business Administration - Finance from the University of Manchester in the United Kingdom and a Bachelor of Science (Hons.) - Accounting with Economics from the University of the West Indies Mona, Jamaica.

# TEAM EFFORT

the family behind FESCO



# LEADERSHIP TEAM



## Jeremy Barnes – **MANAGING DIRECTOR**

Mr. Jeremy Barnes is a senior executive with extensive experience in operations management, financial analysis and financial management. He has over twenty (25) years of experience in the fuel trade, holding positions of dealer and managing director prior to his engagement at FESCO. He holds a Master of Business Administration from the Mona School of Business, University of the West Indies and a Bachelor of Business Administration in Finance from the Zicklin School of Business Baruch College in New York City, U.S.A where he graduated Summa Cum Laude and was the recipient of the Irvine Fromme academic Scholarship for International Finance. Mr Barnes is a former chief financial officer and chief operating officer of Marathon Insurance Brokers and Federal Capital Group Limited.



## Omar Morgan – **OPERATIONS, SAFETY & INFORMATION TECHNOLOGY**

Mr. Morgan is an Electronic and Computer Engineer with a Master's Degree in Digital Communications Systems from Loughborough University in England. Mr. Morgan was born and raised in Jamaica, but has also lived, studied and worked in Europe and the United States of America ("USA"). Prior to joining the Company and upon his return to Jamaica after completing his studies in England, Mr. Morgan worked with General Tractor & Equipment Company Limited as a Technical Sales Engineer. He successfully led the company through the tendering process for Government contracts which resulted in a significant increase (100%) in sales for over 3 years. Mr. Morgan then went on to work with a local security firm as head of the electronic security division.

Shortly after, he migrated to the USA and joined International Business Machines Corporation ("IBM") as a System Support Representative. In his first year at IBM, he received a Customer Service Award for having the best customer satisfaction numbers in his team. He was the project lead on numerous projects and was also the head agent for some of the major clients in the region.



## Andre Royes – **MARKETING & BUSINESS DEVELOPMENT**

Our newest member of the team, Mr. Andre Royes joined the FESCO family in January 2022 in the capacity of Business Development Manager. He brings to the team a wealth of experience in sales, marketing, product development and customer management and is dedicated to maximising FESCO's growth and market presence in Jamaica.

He has over 13 years' experience in the Petroleum industry and has served in a number of roles/capacities up to the senior management level at the Petroleum Company of Jamaica. He holds a Bsc. in Human Resource Management and International Business from the University of Technology.

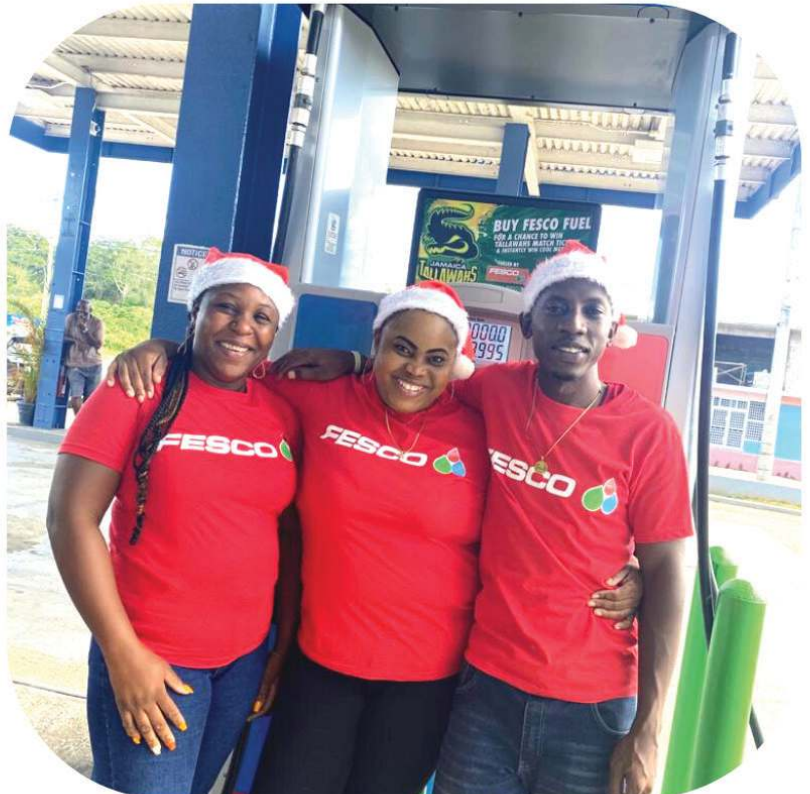
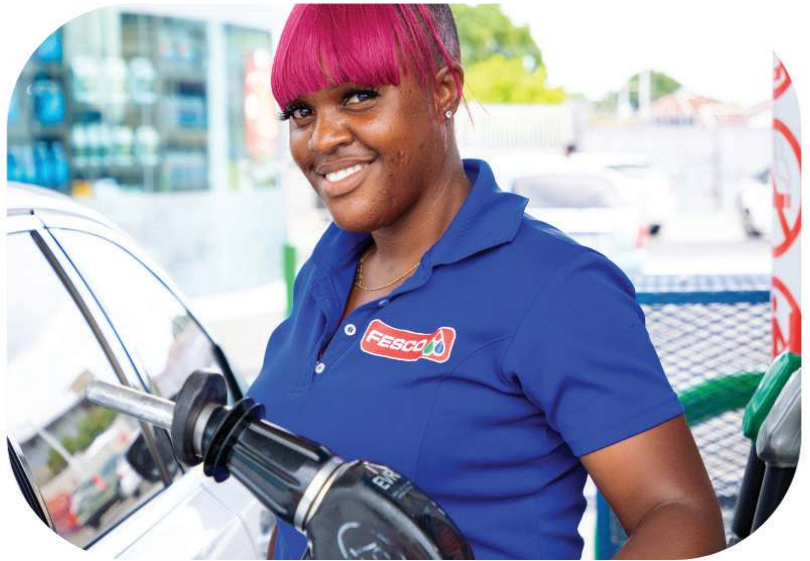
A sports aficionado and car enthusiast, he has a keen interest in the provision of technology enhanced value driven solutions. Andre is passionate about volunteerism, youth advocacy and the environment. His philanthropy has seen his involvement several charitable projects across Jamaica.

## Karen Jones – **ADMINISTRATION**

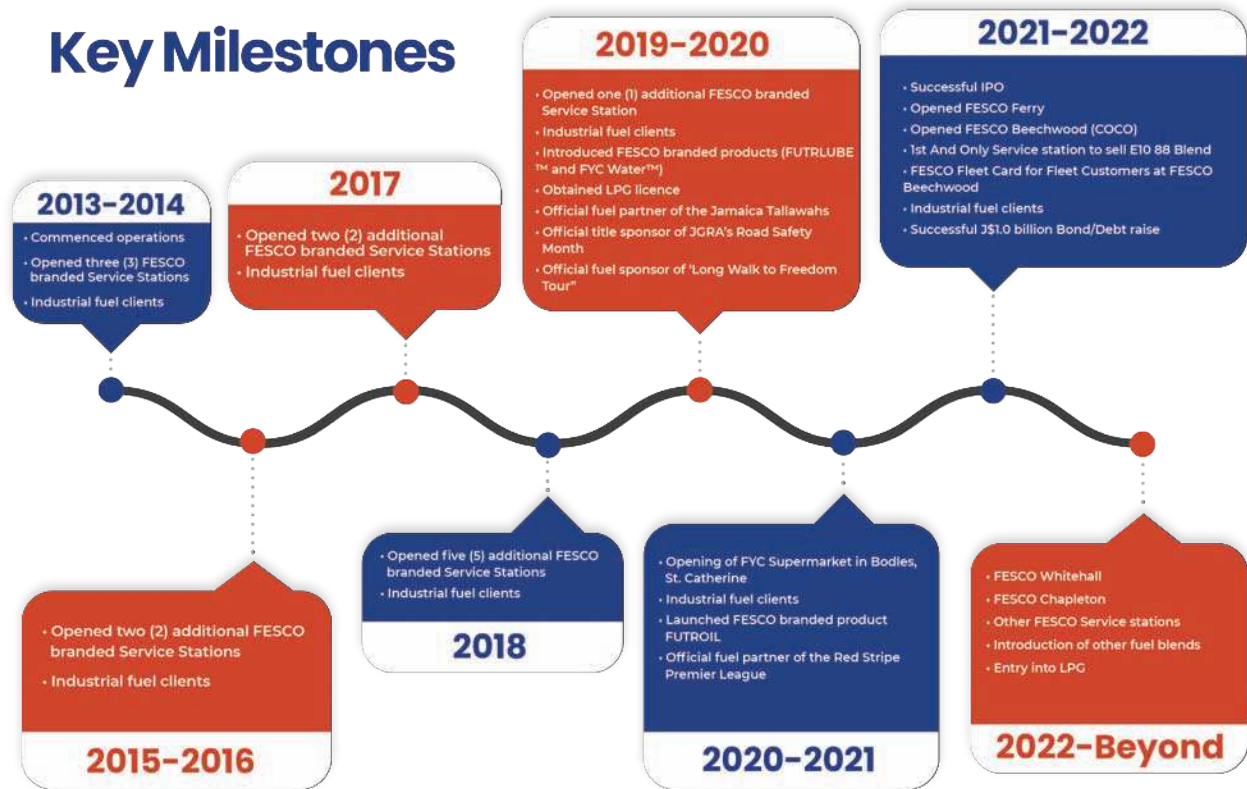
Ms. Jones is an experienced professional assistant who has worked in the Petroleum Industry for seventeen (17) years. Her attention to detail makes her highly competent in administrative tasks and she is dedicated to providing the timely processing and distribution of accurate financial information. Her primary job functions include (1) providing managerial leadership to the dispatcher and accounting clerk, (2) completing several accounting and financial tasks, (3) conducting data entry and maintaining records, (4) composing monthly reports and meeting minutes, and (4) acting as a liaison between FESCO's customers and vendors. Ms. Jones is an ethical and innovative employee and prides herself on maintaining a high-quality working standard, developed through her extensive experience as an accounting clerk for several reputable organizations such as JGRA, Esso Standard Oil Limited and Jamaica Aluminium Company.

# TEAM EFFORT

the family behind FESCO



# THE COMPANY & ITS HISTORY



In 2013, Lyden Heaven, Hugh Coore, Errol McGaw, Trevor Barnes and Junior Williams founded FESCO and started operations with one (1) employee and made its first (1st) delivery of fuel in December 2013. At that time, the Company determined that in order to increase its share of the market: brand recognition, market penetration and network growth, were essential. Accordingly, FESCO embarked on a drive to add FESCO branded service stations to its network. By the end of 2014 the Company had three (3) FESCO branded service stations and established an industrial/commercial customers' clientele.

During 2015/2016 the company added two (2) additional FESCO branded service stations and continued servicing their commercial customers.

During 2017 the company expanded its foot print again by adding two (2) additional FESCO branded service stations. And in 2018 the Company added a further five (5) FESCO branded service stations to its network.

In 2019 the Company decided that along with market penetration, diversification as a strategy for sustainability and growth was paramount in the short, medium, and long term. Accordingly the company:

1. Opened one (1) additional FESCO branded service station.
2. Expanded its offering to include Chemicals, Coolants, windscreen wash as well as Purified drinking water (FUTRLUBE™ and FYC Water™, respectively).
3. Acquired lands to build its first company owned company operated service station.
4. Obtained a LPG distributor licence (to be utilised in the future) Additionally, in 2019 the Company decided to strengthen its tradition of being a good citizen in the communities in which its dealers operate by incorporating national philanthropic, social and sporting endeavours in its community building program. That year the Company became the:
  1. Official fuel partner of the Jamaica Tallawahs
  2. Official title sponsor of JGRA's Road Safety Month
  3. Official fuel sponsor of 'Long Walk to Freedom Tour'
  4. Sponsored various local football, cricket, chess and golf tournaments



# THE COMPANY & ITS HISTORY (CONTINUED)

In 2020, despite a Global pandemic, the company:

1. Opened one (1) FESCO branded service station and FYC supermarket at Bodles.
2. Signalled to the market its intention to go public via initial public offering and list on the junior market of the Jamaica Stock Exchange (JSE).

In 2021/2022 the Company executed on its intention to list by successfully launching its IPO in March 2021, and listing on the junior market of the JSE in April 2021. The company opened its fifteenth (15th) service station, FESCO Ferry in July 2021 and its first (1st) company owned company operated station and its sixteenth(16th) service station overall FESCO Beechwood in November 2021. The company also began acquiring LPG assets pursuant to its future entry into the LPG industry.

In January 2022 in order to satisfy and delight its growing list of commercial clients, FESCO launched its prepaid fleet card accessible at FESCO Beechwood only.

In March 2022 FESCO Beechwood became the first (1st) service station in Jamaica to blend fuel at the pump, and successfully introduced E10 88 Blend to the market.

Further, in March 2022, pursuant to its medium term goal of investing in and opening new service stations, as well as entry into the LPG industry, FESCO successfully raised J\$1.0 billion in debt via a 7.5% fixed rate bond.

## 2022- Beyond

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

What to expect:

1. New stations openings
2. Additional blends and grade of fuels
3. LPG market entry

## COMPANY OVERVIEW

Future Energy Source Company Limited (FESCO) (established in 2013), is the fifth (5th) largest transportation fuel marketer in Jamaica and the second (2nd) largest local marketer by volume/ litres of fuel sold as at March 2022. FESCO is also the only fuel company listed on Jamaica Stock Exchange (JSE).

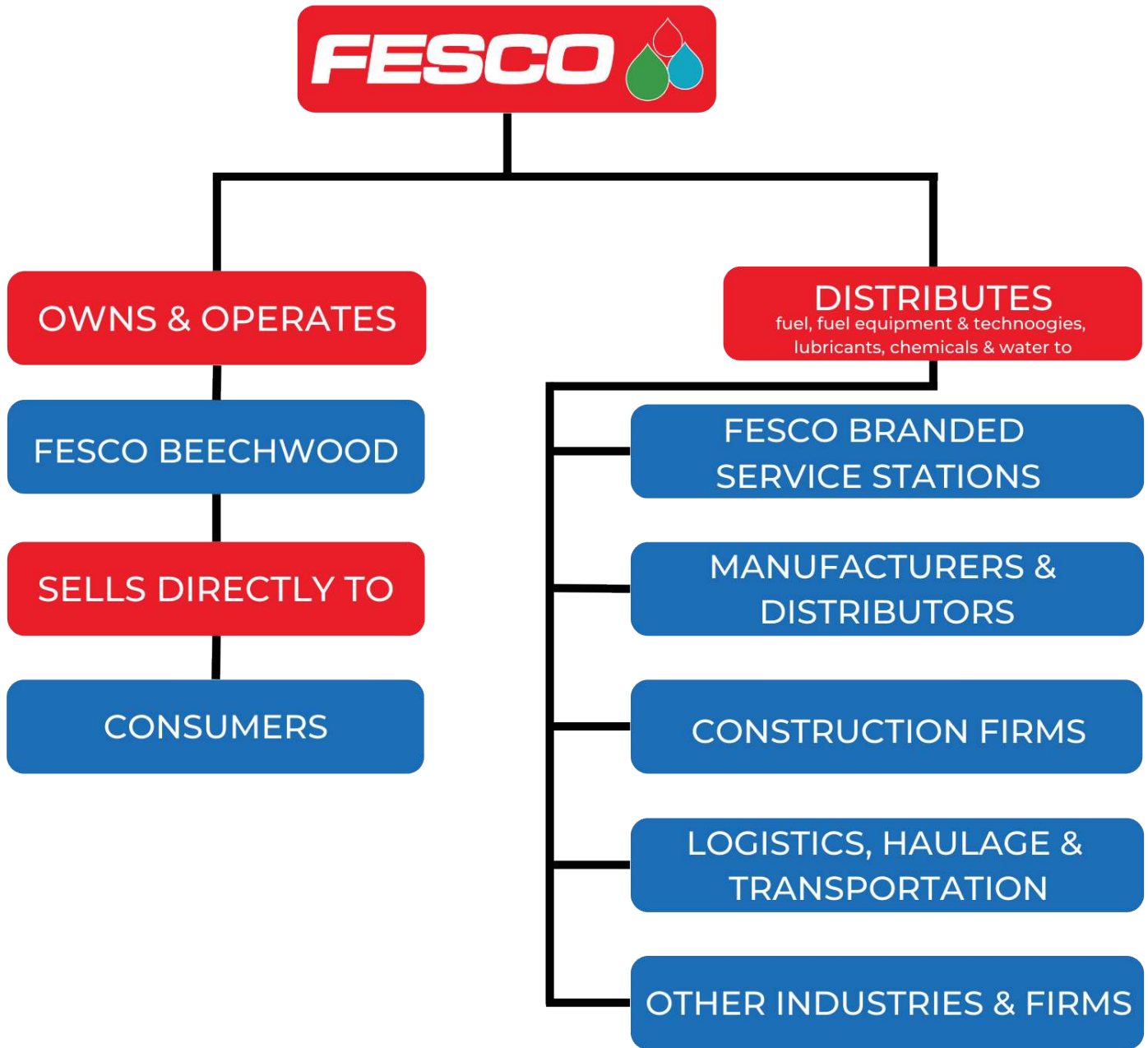
FESCO markets: fuel, fuel derivatives (such as bitumen or asphalt), fuel equipment and technologies, proprietary lubricants, proprietary chemicals and proprietary bottled water to:

1. its growing network of Dealer owned and Dealer operated (DODO) service stations;
2. directly to consumers at its Company owned and Company operated service station FESCO Beechwood;
3. industrial and commercial customers (who may also require Heavy Fuel Oil and Kerosene Oil).

FESCO has grown from three (3) branded locations in 2014 to sixteen (16) as at March 2022. During that time the Company has grown from being a new entrant (zero market share) to now having a share estimated at 7.9% of transportation fuels market (E10 87, E10 90, ADO and ULSD).

During the financial year ended March 2022, FESCO continued to execute on its strategy of expanding its network footprint with the additions of FESCO Ferry and FESCO Beechwood service stations. FESCO Beechwood, which the Company owns and operates, enabled the Company to enter the retail space and sell directly to consumers for the first time. Expanding, via integrating into the retail space (B2C), is in keeping with the company's desire to increase its margins whilst delivering exceptional value to its customers.

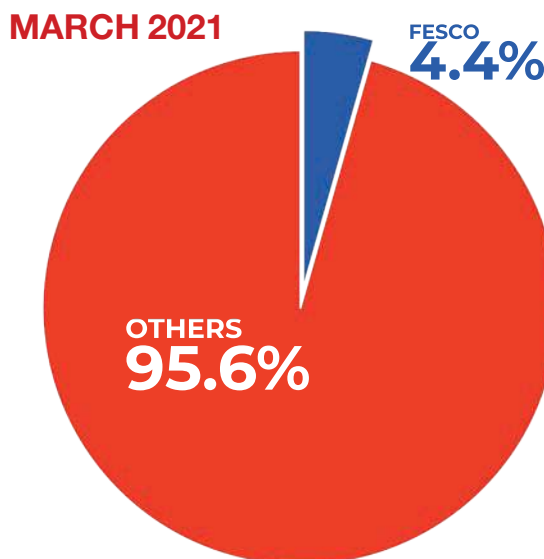
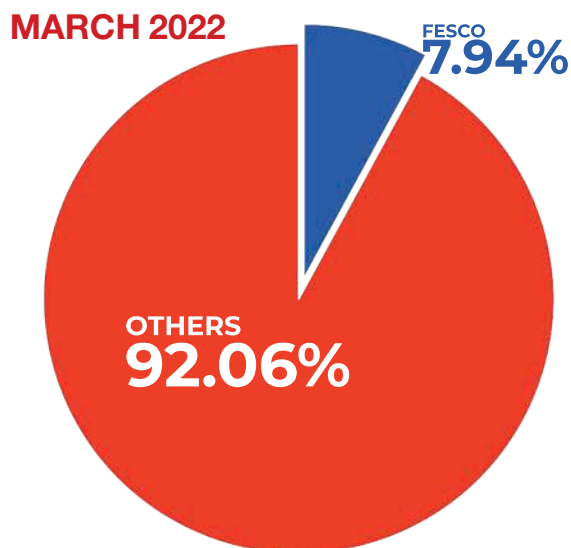
# OPERATIONS & SERVICES



# DIRECTORS' REPORT

The Board of Directors of Future Energy Source Company (FESCO) is pleased to present its Report together with the Audited Financial Statements of the Company for the year ended March 31, 2022.

## ESTIMATED MARKET SHARE (TRANSPORTATION FUEL ONLY)



## FINANCIAL HIGHLIGHTS:

### Overview

We are proud to report that despite a year in which the COVID-19 pandemic restricted travel, social engagements and general business activity, the Company recorded its best year and:

- Achieved 7.94% market share in March 2022 for transportation fuels, exceeding our target of 7.5%;
- exceeded last year's (12) months profit after tax performance by 134.5% or J\$145.48 million totalling J\$253.64 million;
- achieved growth in profit after tax for each and every quarter at quarterly growth rates of 43%, 29% and 18.3% respectively;
- all but achieved our twelve (12) month profit after tax forecast (J\$253.6 million vs J\$263.9 million), despite extended curfews, restricted opening hours, logistic related construction delays which caused the openings of both FESCO Ferry and FESCO Beechwood to be behind schedule;
- declared an interim dividend of \$0.01 per share totalling J\$25.0 million payable on June 24, 2022;

## NET PROFIT

	Q1	Q2	Q3	Q4	Total
Net Profit (2022)	39,941,003	57,211,793	73,640,306	82,847,342	253,640,444
Quarterly Net Profit Increase (%)		43.2%	28.7%	18.3%	

## DIRECTORS' REPORT (CONTINUED)

6. raised J\$1.0 billion in debt via a bond arranged by NCB Capital Markets (NCBCM) to finance FESCO network expansion of service stations and LPG assets acquisition.

For the year ended March 31, 2022, FESCO recorded Turnover/Revenues of J\$12,671 million which reflects a 116.4% or J\$6,814 million year over year increase. Several factors affect revenue/turnover with the supply price of fuel being a major component. Between April 1, 2021 and March 31, 2022, per Petrojam Kingston refinery prices, E10 87 increased 41.3% or J\$55.89, E10 90 increases 42.0% or J\$58.07, ADO increased 54.5% or J\$69.45 and ULSD increased 52.7% or J\$69.53. FESCO has no control over the supply price of fuel and, instead, focuses more on quantity of fuel sold and gross profits.

For the year ended March 2022 FESCO recorded gross profits of J\$391.216 million which reflects an increase of J\$196.4 million or 100.8% compared to J\$194.8 million in 2021. For the year operating profits are up J\$120.3 million or 89.3% to total J\$257.9 million.

FESCO recorded finance income of J\$2.94 million compared to J\$6.09 million in the previous year which represents a J\$3.2 million or 51.8% decrease. This was mainly as a result of increased borrowing costs and lower unrealised FX gains owing to a revaluation of the Jamaican dollar in March 2022.

For the year ended March 2022, FESCO recorded profit after taxes of J\$253.64 million which represents a 134.5% increase or J\$145.48 million improvement on the Company's profit after taxes of J\$108.16 million for the year ended March 31, 2021. The Company incurred income taxes of J\$4.24 million as a result of twenty three (23) days of taxes as the Company was listed on the Junior Market of the JSE on April 23, 2021, twenty three (23) days into the start of its financial year.

Book Value or Shareholders' Equity as at March 31, 2022, increased by J\$452.17 million or 142.0% to sum J\$770.59 million, up from J\$318.4 million as at March 31, 2021. The increase includes a dividend declaration totalling J\$25.0 million, and reflects the combined effects of the net proceeds of the April 2021 IPO, and an increase in retained earnings. Net current assets as at March 31, 2021, has improved to total J\$636.66 million versus J\$73.6 million last year (March 31, 2021). The Company's current ratio stands at 1.63 (March 2022) up from 1.35 as at March 2021. As at March 2022, the Company's Debt to Equity (D/E) (static) is 1.31 which is an increase from March 2021 which substantively reflects the J\$1 billion bond raise (March 2021 D/E was 0.08).



Jeremy Barnes  
Managing Director

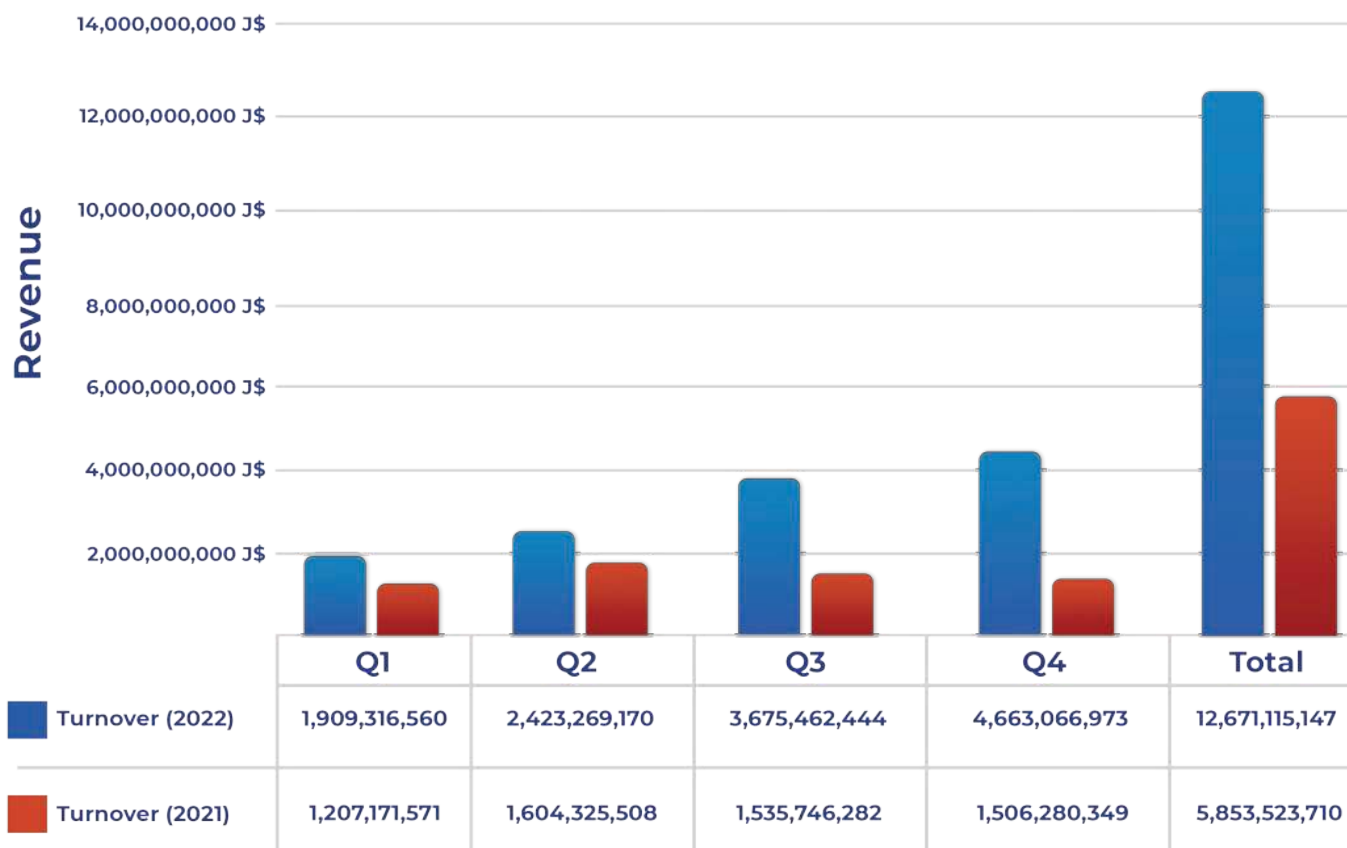
# MANAGEMENT DISCUSSION & ANALYSIS

The following Management Discussion and Analysis (“MD&A”) is provided as a supplement to and should be read in conjunction with Future Energy Source Company Limited’s (FESCO) 2022 audited financials and the accompanying notes.

## OVERVIEW

The Company exceeded its market share goal of 7.5% for March 2022 by achieving an estimated share of 7.94%(transportation fuels – E10 87, E10 90, ADO and ULSD), which is up from 4.4% achieved in March 2021. The Company also increased net profits by J\$145.48 million or 135.4% to total \$253.64 million, which is a record performance for the Company. FESCO marginally missed its 2022 projections outlined in its March 2021 IPO Prospectus, despite an ongoing Global Pandemic and opening both FESCO Ferry and FESCO Beechwood behind schedule due to logistical and supply chain induced construction delays. We appreciate and commend the efforts of our planning, construction, and operations teams as they achieved great successes despite significant COVID related and COVID induced constraints. We also commend our dealers and our services stations operators whose combined efforts allowed us to record our best year despite reduced operating hour at all our service stations.

## REVENUES/TURNOVER



# MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

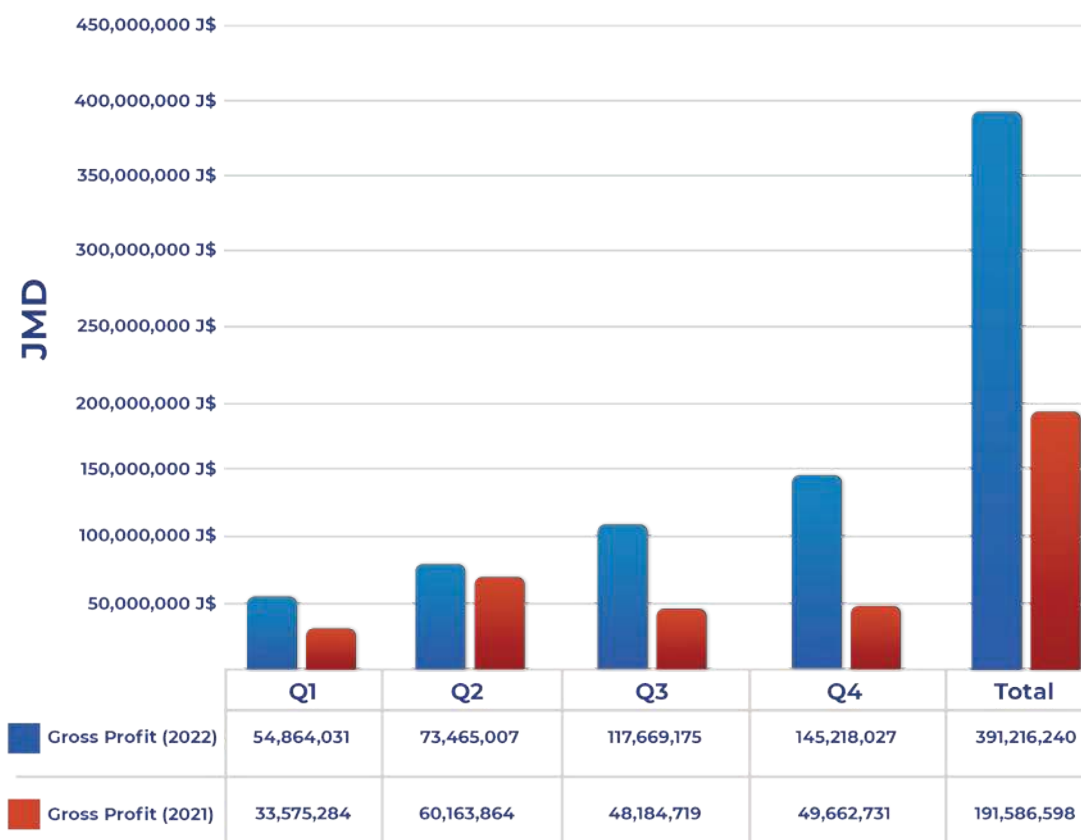
For the year ended March 31, 2022, FESCO recorded Turnover/Revenues of J\$12,671 million which reflects a 116.4% or J\$6,814 million year over year increase. The Company was able to achieve strong growth in sales in litres of fuel which, combined with increases in world fuel prices, accounted for the growth in turnover. Several factors affect revenue/turnover with the supply price of fuel being a major component. Between April 1, 2021 and March 31, 2022, per Petrojam Kingston refinery prices, E10 87 increased 41.3% or J\$55.89, E10 90 increases 42.0% or J\$58.07, ADO increased 54.5% or J\$69.45 and ULSD increased 52.7% or J\$69.53. FESCO has no control over the supply price of fuel and, instead, focuses more on quantity of fuel sold and gross profits.

## PETROJAM FUEL PRICES

Petrojam Fuel Prices (Kingston)	Start of Q1	End of Q1	End of Q2	End of Q3	End of Q4		
	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	Change %	Change J\$
87	135.44	150.55	148.48	165.00	191.33	41.3%	55.89
90	138.28	155.73	153.91	170.45	196.35	42.0%	58.07
ADO	127.50	142.52	149.99	160.49	196.95	54.5%	69.45
ULSD	131.91	151.03	153.44	166.11	201.44	52.7%	69.53
<b>Petrojam Fuel Prices (Kingston)</b>							
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	Change %	Change J\$
87	124.18	112.89	113.30	110.41	135.44	9.1%	11.2628
90	127.02	115.73	116.14	113.25	138.28	8.9%	11.2587
ADO	123.05	110.67	109.72	114.29	127.50	3.6%	4.4503
ULSD	127.99	114.60	111.81	116.43	131.91	3.1%	3.9174
	<b>Average Price</b>	<b>Average Price</b>					
	<b>2020/2021</b>	<b>2021/2022</b>					
87	119.25	158.16					
90	122.08	162.94					
ADO	117.05	155.49					
ULSD	120.55	160.78					

# MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

## GROSS PROFIT 2022 VS 2021



## GROSS PROFIT & GROSS PROFIT MARGIN

	Q1	Q2	Q3	Q4	Total
<b>Gross Profit (2022)</b>	54,864,031	73,465,007	117,669,175	145,218,027	391,216,240
<b>Quarterly Gross Profit (2022) Growth</b>	10.5%	33.9%	60.2%	23.4%	
<b>Gross Profit (2021)</b>	33,575,284	60,163,864	48,184,719	49,662,731	191,586,598
<b>Gross Profit Margin % (2022)</b>	2.9%	3.0%	3.2%	3.1%	3.1%
<b>Gross Profit Margin % (2021)</b>	2.8%	3.8%	3.1%	3.3%	3.3%
<b>Profit before Taxes Margin % (2022)</b>	2.1%	2.4%	2.0%	1.9%	2.0%
<b>Profit before Taxes Margin % (2021)</b>	2.1%	2.4%	1.8%	3.2%	2.4%
<b>Net Profit Margin % (2022)</b>	2.1%	2.4%	2.0%	1.8%	2.0%
<b>Net Profit Margin % (2021)</b>	2.0%	1.6%	1.4%	2.5%	1.8%

For the year ended March 2022 FESCO recorded gross profits of J\$391.22 million which reflects an increase of J\$196.4 million or 100.8% compared to J\$191.59 million in 2021. Gross profits increased per quarter by 10.5%, 33.9%, 60.2% and 23.4% respectively while gross profits margin and net profit margin remained relatively stable at or around 3.1%, and 2.0% respectively.

# MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

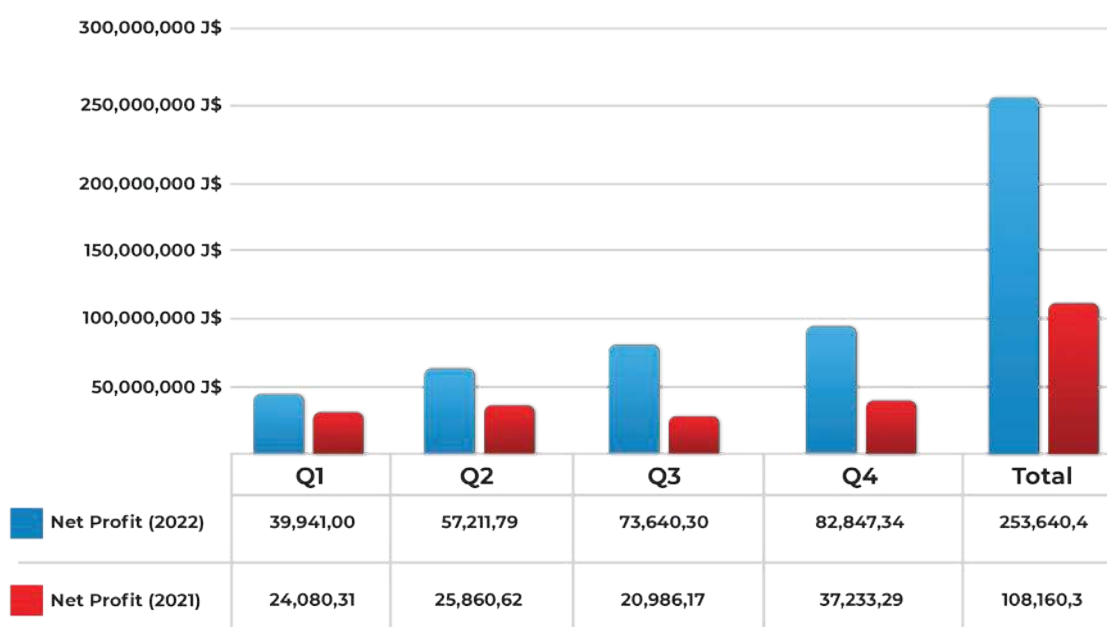
## OPERATING EXPENSES

	Q1	Q2	Q3	Q4	Total
Gross Profit (2022)	54,864,031	73,465,007	117,669,175	145,218,027	391,216,240
Gross Profit (2021)	33,575,284	60,163,864	48,184,719	49,662,731	191,586,598
Operating & Administrative expenses & other (2022)	20,522,188	17,768,916	51,205,943	46,770,194	136,267,241
Operating & Administrative expenses & other (2021)	8,624,284	20,928,521	29,169,733	1,515,208	60,237,746
Operating Expenses as % of Gross Profits (2022)					34.8%
Operating Expenses as % of Gross Profits (2021)					31.4%

Operating Expenses increased by J\$76.138 million or 126.6% year over to total \$136.267 million for the year ended March 2022. Operating expenses as a percentage of gross profits increased slightly to 34.8% in 2022, up from 31.4% in 2021. The increase is mainly reflective of our entry into retail operations which, by its nature, involves greater operational cost both of a fixed and variable nature, inclusive of, but not limited to, increases in utility, depreciation, staffing, security and insurance costs. During the year, our staffing increased from seven (7) full time staff to forty (45). Along with staffing for our new retail operations, we added breadth and depth to our management and supervisory competencies, and increased our cadre of professional contractors. The Company's 2022 expenses also reflect increased and new expenses as it relates to corporate governance, JSE regulatory, administrative and compliance charges.

## NET PROFIT

	Q1	Q2	Q3	Q4	Total
Net Profit (2022)	39,941,003	57,211,793	73,640,306	82,847,342	253,640,444
Net Profit (2021)	24,080,312	25,860,622	20,986,172	37,233,293	108,160,399





# MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

Net profit for the year stood at \$253.640 million, an increase of J\$145.48 million or 134.5% year over year. This achieved, in the main, due to the increase fuel sales in litres whilst managing the expansion of our expenditures.

## EQUITY AND LIQUIDITY

	2016	2017	2018	2019	2020	2021 R	2022	Change	Change
<b>Non Current Assets</b>	3,508,646	20,413,535	30,114,287	137,190,890	148,255,045	269,686,297	1,140,666,641	323.0%	870,980,344
<b>Current Assets</b>	59,461,912	103,015,003	240,341,172	322,257,055	325,621,376	281,799,824	1,653,880,132	486.9%	1,372,080,308
<b>Current Liabilities</b>	45,361,009	46,823,136	121,488,951	181,757,783	210,350,746	208,192,721	1,017,220,679	388.6%	809,027,958
<b>Net Current Assets</b>	14,100,903	56,191,867	118,852,221	140,499,272	115,270,630	73,607,103	636,659,453	764.9%	563,052,350
<b>Equity</b>	17,531,521	31,181,656	63,751,836	100,690,971	205,462,643	318,424,142	770,590,559	142.0%	452,166,417
<b>Non Current Liability</b>	78,028	45,423,746	85,214,672	176,999,191	58,063,032	24,869,258	1,006,735,535	3948.1%	981,866,277
<b>Debt/Equity (Static)</b>	0.0045	1.4567	1.3367	1.7578	0.2826	0.0781	1.3064		
<b>Current Ratio</b>	1.31	2.20	1.98	1.77	1.55	1.35	1.63		

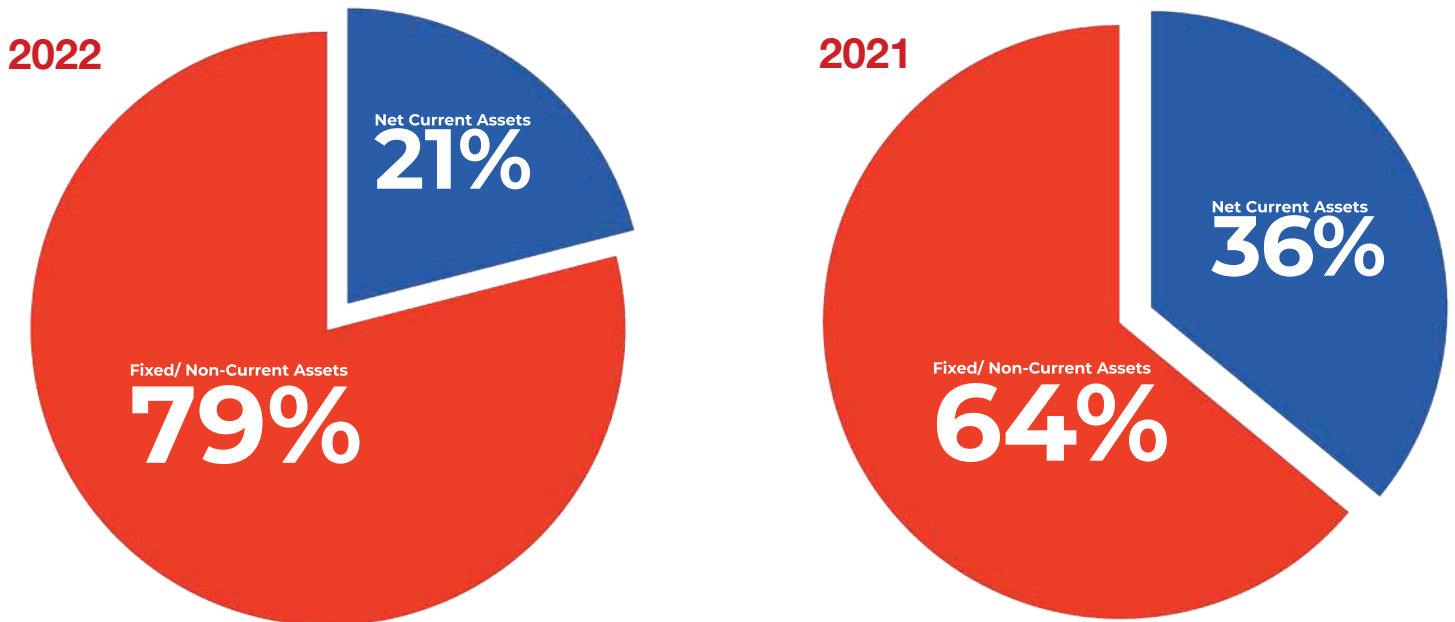
Shareholders' Equity as at March 31, 2021, increased by J\$452.17 million or 142.0% to sum J\$770.59 million, up from J\$318.42 million as at March 31, 2021. The increase includes a dividend declaration totalling J\$25.0 million, and reflects the combined effects of the net proceeds of the April 2021 IPO, and an increase in retained earnings. As at March 2022, the Company's Debt to Equity (D/E) (static) is 1.31 which is an increase from March 2021 which substantively reflects the J\$1 billion bond raise (March 2021 D/E was 0.078).

Over the years the Company has sought to, and has invested in real assets and equipment to facilitate its retail operations and to acquire service station and LPG related assets. Fixed or non-current assets have increased from J\$269.7 million as at March 2021 to J\$1,140.67 million (up 323.0%) as at March 2022. From the proceeds of the bond raise, the Company will continue to make new and increased investments in fixed or non-current assets as the Company's adds additional FESCO branded locations to its network and acquires LPG related assets.

The Company's liquidity remains strong: Net current assets as at March 31, 2022, has improved to total J\$636.659 million versus J\$73.6 million last year (March 31, 2021). The Company has cash and cash equivalent balance of \$1,128 million, and its current ratio stands at

	2021	2022
<b>Net Current Assets</b>	73,607,103	636,659,453
<b>Fixed/Non-Current Assets</b>	269,686,297	1,140,666,641
<b>Total Assets</b>	343,293,400	1,777,326,094
<b>Equity</b>	318,424,142	770,590,559
<b>Long Term Liabilities</b>	24,869,258	1,006,735,535
<b>Equity &amp; LT Liabilities</b>	343,293,400	1,777,326,094

## ASSET MIX



1.63 (March 2022) up from 1.35 as at March 2021. Additionally, the Company's trade receivables as at March 31, 2022 reflect days sales outstanding of 8.93 (at current prices) versus 11.59 as at March 31, 2021.

### POSITIONED FOR GROWTH!

#### A Look Ahead

The Government of Jamaica has followed through on its proclamation that it will no longer pursue total lockdowns and no movement days as pandemic containment tools. We have also seen the reopening up of the entertainment, leisure and education sectors and we believe that the expected resultant increase in travel and commerce could potentially result in favourable prospects for our business.

The Company hopes to continue to benefit from increased business activity occasioned by longer opening hours.

In the coming year to eighteen (18) months FESCO is set to open two (2) to three (3) new locations. Additionally, we will be extending our availability of blended fuel throughout our network. The additional grades and blends will be available throughout our network at participating dealers.

Finally, the Company will continue to make investments in real assets and equipment to support expanding its service station businesses, its industrial client business, as well as entry into the LPG industry.

# MEET MICHAEL GYLES

the visionary architect behind our newest locations



Michael Gyles Associates is a multifaceted firm that has been practising architecture for over 37 years, during which we have designed service stations, office buildings, townhouses, apartments, residences, and hotels.

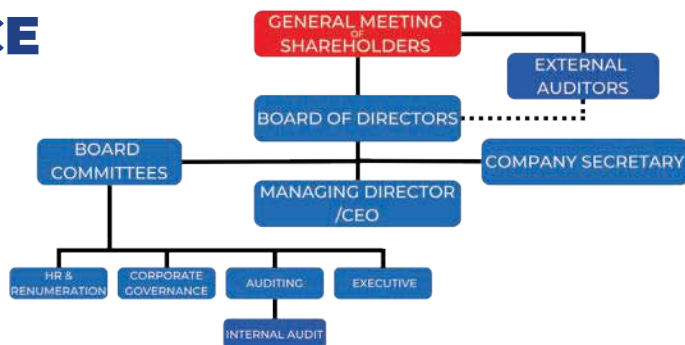
*"Our design of the Ferry service station reflects our design philosophy of expressing function through a composition of bold geometrical shapes. The design conjures up metaphors of flight, including natural and manmade."*

*- Michael Gyles*



# CORPORATE GOVERNANCE

Future Energy Source Company Limited (“FESCO” or the “Company”) is focused on achieving the sustainable enhancement of the quality of the Company’s business and the increase and preservation of investor confidence through the incorporation of good governance principles. The financial year April 2021 to March 2022 was a growth year; having listed on the Junior Market of the Jamaica Stock Exchange the Company saw increases in the number of its shareholders, employees and in the volume of demand for its products and services. The Board is therefore committed to overseeing clear separation of roles and responsibilities and implementation of policies and procedures designed to foster integrity, transparency, accountability, and fairness, not only within the Board but throughout the organization.

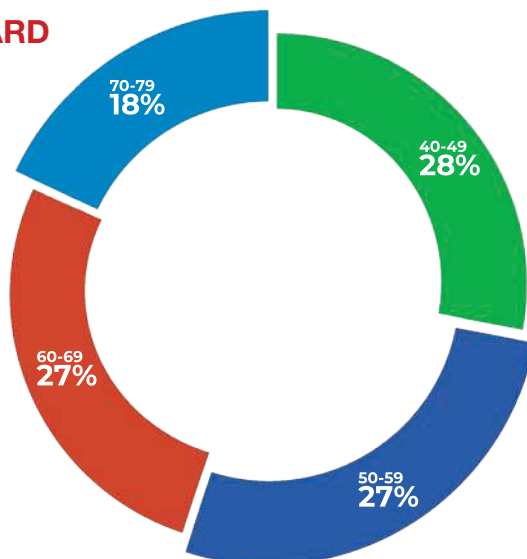


## BOARD COMPOSITION & DIVERSITY

The Board is made up of eleven (11) directors, two (2) of whom are female. The five (5) independent directors were appointed in the 2020/2021 financial year, contributing perspectives that bring balance and increasing the Board’s diversity for effective oversight of management.

Board Composition	Sex	Director Tenure	Independent	Non-Independent	Executive	Expertise
1. Belinda Williams	F	<2 years	Yes			Integrated Marketing, Brand & Communications
2. Eaton Parkins	M	<2 years	Yes			Accounting, Auditing & Regulatory Reporting
3. Errol McGaw	M	<10 years		Yes		Petroleum Industry, Marketing & Finance
4. Gloria Blenman DeClou	F	<2 years	Yes			Legal
5. Harry Campbell	M	<2 years	Yes			Information Technology
6. Hugh Coore	M	<10 years		Yes		Petroleum Industry, Stakeholder Engagement, Entrepreneurship
7. Jeremy Barnes	M	<2 years			Yes	Petroleum Industry, Finance & Insurance
8. Junior Williams	M	<10 years		Yes		Petroleum Industry, Marketing, Market Research, Sales & General Management
9. Lyden “Trevor” Heaven	M	<10 years			Yes	Petroleum Industry, Engineering & Stakeholder Engagement
10. Trevor Barnes	M	<10 years		Yes		Petroleum Industry & Entrepreneurship
11. Vernon James	M	<2 years	Yes			Investment Banking, Insurance, Finance

## AGE DIVERSITY OF THE BOARD



## DIRECTOR MEETINGS & ATTENDANCE

There were a total of seven (7) Board meetings, one (1) of which was a special meeting, not being a regularly scheduled meeting, and six (6) round robin resolutions to address time-sensitive matters. The three (3) main committees include the Audit Committee which had four (4) regularly scheduled meetings, the Human Resources and Remuneration Committee which had two (2) regularly scheduled meetings and one (1) special follow-up meeting, and the Corporate Governance Committee had two (2) regularly scheduled meetings.

Director's Meeting Attendance	Board Total Meetings – 7 No. of Directors – 11	Corporate Governance Committee Total Meetings – 2 No. of Directors – 7	Audit Committee Total Meetings – 4 No. of Directors – 7	Human Resources & Remuneration Committee Total Meetings – 3 No. of Directors – 7
1. Belinda Williams	7	-	-	3
2. Eaton Parkins	7 Lead Independent Director	2	4 Committee Chair	3
3. Errol McGaw	7	-	4	3
4. Gloria Blenman DeClou	7	2 Committee Chair	4	3
5. Harry Campbell	7	2	4	-
6. Hugh Coore	7	2	4	3
7. Jeremy Barnes	7 Managing Director	-	-	-
8. Junior Williams	7	1	-	-
9. Lyden "Trevor" Heaven	7 Executive Chairman	1	-	3
10. Trevor Barnes	7	-	4	-
11. Vernon James	7	1	4	3 Committee Chair



# AUDIT COMMITTEE

## COMPOSITION

The Audit Committee's membership includes a majority of independent directors, one of whom is the Committee Chair.

Members: Eaton Parkins (Chair), Trevor Barnes, Harry Campbell, Hugh Coore, Gloria Blenman DeCLou, Vernon James and Errol McGaw.

### Some functions of the Audit Committee include

- 1) Reviewing the quarterly unaudited and the annual audited financial statements and reporting to the Board on any financial reporting issues.
- 2) Assessing the adequacy of the internal audit system and overseeing its effectiveness in managing risks.
- 3) Reviewing the terms of the external auditors' engagement and the appropriateness and reasonableness of their proposed fees.
- 4) Reviewing the independence and objectivity of the audit function and periodically evaluating the external audit services being provided.
- 5) Overseeing the creation of policies for identification, assessment and management of risks and shall apprise the Board of identified risks.

### 2021/2022 Highlights of the Audit Committee

- 1) Reviewed and recommended the final quarter unaudited report and the audited financials report for the year April 2020 to March 2021 and the quarterly unaudited financial reports for the year April 2021 to March 2022 for board approval and disclosure.
- 2) Reviewed and recommended to the Board for approval and disclosure revisions to the Company's Dividend Policy.
- 3) Reviewed management's mechanism for monitoring regulatory compliance of service stations and staff training.
- 4) Oversaw the preparation of a first draft of a revised credit policy.
- 5) Reviewed safety policies and procedures related to the delivery of products.

# HUMAN RESOURCES & REMUNERATION COMMITTEE

## COMPOSITION

The Human Resources & Remuneration Committee's membership includes a majority of independent directors, one of whom is the Committee Chair.

Members: Vernon James (Chair), Trevor Heaven, Belinda Williams, Errol McGaw, Gloria Blenman DeClou, Eaton Parkins, Hugh Coore

Some key functions of the Human Resources & Remuneration Committee include

- 1) Reviewing from time to time the Company's compensation and incentive structure to ensure that the compensation and any bonuses or other incentives paid by the Company remains current and is a fair recognition of the time, commitment and responsibilities of the roles.
- 2) Formulating a process of succession for senior management.
- 3) Reviewing the remuneration arrangements of the directors officers and senior managers of the Company and making recommendations to the Board.
- 4) Determining the nomination, selection and appointment procedure for directors, officers and senior managers.

## 2021/2022 Highlights of the Human Resources & Remuneration Committee

- 1) Reviewed revisions to the organization chart proposed by management in consultation with an HR consultant and recommended Board approval.
- 2) Recommended that management carry out talent acquisitions to give effect to the revised organization chart.
- 3) Reviewed revisions to the pay bands proposed by management in consultation with an HR consultant and recommended Board approval.
- 4) Reviewed benefits offered to staff and made recommendations to management for action.
- 5) Proposed a revised compensation structure for senior management for board approval.

# CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee's membership includes a majority of independent directors, one of whom is the Committee Chair.

Members: Gloria Blenman DeClou (Chair), Junior Williams, Eaton Parkins, Hugh Coore, Vernon James, Trevor Heaven, Harry Campbell

Some key functions of the Corporate Governance Committee include

- 1) Reviewing the Articles of Incorporation, corporate governance policies and practices of FESCO from time-to-time to ensure they continue to satisfy regulatory requirements and reflect current best practices.
- 2) Reviewing the composition of the board as it relates to the ratio of independent and non-independent directors and make recommendations to the Board in the event of change to a director's independence status.
- 3) Ensuring that there is a board orientation programme for new directors and continuing education and development sessions for the Board.

- 4) Overseeing the performance evaluation process of the Board, its committees, and their respective chairpersons.

2021/2022 Highlights of the Corporate Governance Committee

- 1) Reviewed governance principles outlined in a director training session as a refresher for members of the committee.
- 2) Reviewed the governance impact of having an Executive Chairman and advised the Board.
- 3) Oversaw the preparation of the corporate governance policy and recommended the policy's adoption by the Board.



## OTHER BOARD COMMITTEES

The Board of Directors pursuant to Article 116 of the Articles of Incorporation, approved the formation of a Special Projects Committee to give oversight to projects being developed by Management. The Committee met three (3) times for the year and the members who attended each meeting were: Messrs. Trevor Heaven (Chair), Eaton Parkins, Errol McGaw, Jeremy Barnes and Vernon James. Mr. Hugh Coore joined the Committee for the final meeting of the financial year. The Committee reviewed various options for debt funding offered by various banks, and made recommendations to the Board. The Committee also recommended the Board's approval of a \$1 Billion bond transaction arranged by NCB Capital Markets Limited.

At the final Board meeting of the financial year, the Board resolved that an Executive Committee is to be operative for the next financial year, 2022/2023. The Committee is delegated power to consider and approve matters requiring urgent or short notice action in between Board meetings. The Committee will provide a report to the full Board of its deliberations and approvals granted at the next regularly scheduled board meeting. The elected members of the Executive Committee include Messrs. Vernon James (Chair), Trevor Heaven, Hugh Coore, Eaton Parkins and Errol McGaw.

### BOARD PERFORMANCE EVALUATION

The Board of Directors see value in reflecting on the previous year's performance to acknowledge strengths and weaknesses for a stronger, more cohesive Board. An evaluation of the Board and its Committees by means of questionnaires will be conducted throughout the week of September 5 - 9, 2022.

### DIRECTOR TRAINING

The Board of Directors are committed to understanding FESCO's business and its position within the industry. To ensure its effective oversight, the Directors participated in corporate governance training addressing: the role of the Board, separation of roles, the duty of care of directors and officers, conflict of interests, financial reporting, disclosure, and insider trading.

# PROUDLY CREATIVE

meet the muralists behind our Proudly Jamaican Projects



# CORPORATE DATA

## BOARD OF DIRECTORS

Lyden Heaven - Executive Chairman  
Jeremy Barnes - Managing Director  
Eaton Parkins - Lead Independent Director  
Trevor Barnes - Founding Director  
Hugh Coore - Founding Director  
Errol McGaw - Founding Director  
Junior Williams - Founding Director  
Gloria Declou - Independent Director  
Harry Campbell - Independent Director  
Vernon James - Independent Director  
Belinda Williams - Independent Director

## COMPANY SECRETARY

Kayola Muirhead, Attorney-at-Law

## REGISTERED ADDRESS

7-9 Beechwood Avenue  
Kingston 5  
(876)715-5941  
fesco1@outlook.com  
website: [www.fescoja.com](http://www.fescoja.com)

## CORPORATE GOVERNANCE

FESCO's Corporate Governance Policy is available on our website at [www.fescoja.com/corporate-governance](http://www.fescoja.com/corporate-governance)

## REGISTRAR

Jamaica Central Securities Depository Limited (JCSD)  
40 Harbour Street, Kingston, Jamaica

## BANKERS

National Commercial Bank - 124 Constant Spring Road Kingston 4  
Scotiabank - Corner of Duke Street and Port Royal Street, Kingston  
NCB Capital Markets - The Atrium, 32 Trafalgar Road, Kingston 5  
Cornerstone Trust & Merchant Bank - 15 St. Lucia Way, Kingston 5  
Barita Investments Limited - 60 Knutsford Boulevard, Kingston 5

## AUDITORS

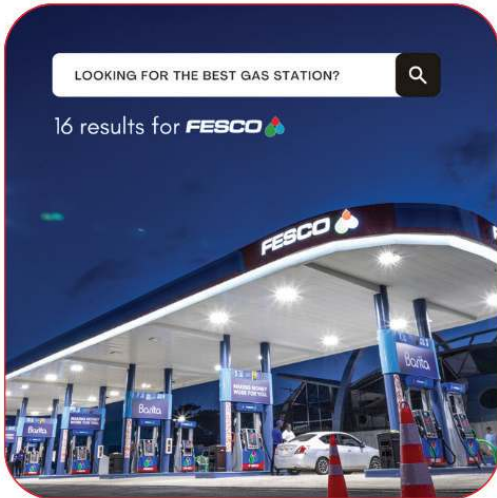
Baker Tilly - 9 Cargill Avenue, Kingston 10

## LAWYERS

Harrison & Harrison - Suite 1, 16 Hope Road, Kingston 10  
Phillipson Partners - 48 Constant Spring Road, Kingston 10  
Keith Chamberlin - Unit # 5, 80 Constant Spring Road, Kingston 10  
Tedesha Cowell - 11 Hathaway Drive Kingston 19

# SOCIAL

highlights from our social media team



# TOP 10 SHAREHOLDERS

AS AT MARCH 31, 2022

Shareholder	Numbers of Shares	% of Issued Shares
1. Tweedside Holdings	364,734,616	14.5894%
2. Errol McGaw	345,077,839	13.8031%
3. Trevor Barnes	344,107,227	13.7643%
4. Trevor Heaven Holdings Ltd.	308,986,553	12.3595%
5. Junior Williams	134,738,750	5.3896%
6. Neville Allen	134,330,478	5.3732%
7. Anna Williams-Bacchus	125,000,000	5.0000%
8. FESCO Founders' Pool Ltd.	98,000,000	3.9200%
9. Jeremy Barnes	95,000,000	3.8000%
10. Roy Davidson	69,314,400	2.7726%
Total	2,019,289,863	80.7716%
Issued Shares	2,500,000,000	

# SHAREHOLDINGS OF DIRECTORS & SENIOR MANAGER

## AS AT MARCH 31, 2022

<b>Directors</b>	<b>Personal Shareholdings</b>	<b>Connected Parties' Shareholdings</b>	<b>Total</b>	<b>% of Issued Shares</b>
Trevor Barnes	344,107,227	99,863,576	443,970,803	17.7588%
Jeremy Barnes	95,000,000	284,475	95,284,475	3.8114%
Harry Campbell	1,051,948	-	1,051,948	0.0421%
Hugh Coore	4,612,935	463,301,175	467,914,110	18.7166%
Gloria DeClou	-	-	-	0.0000%
Lyden Heaven	3,670,397	407,783,901	411,454,298	16.4582%
Vernon James	31,500,000	-	31,500,000	1.2600%
Errol McGaw	345,077,839	98,000,000	443,077,839	17.7231%
Eaton Parkins	39,569,544	97,966	39,667,510	1.5867%
Belinda Williams	250,000	-	250,000	0.0100%
Junior Williams	134,738,750	98,000,000	232,738,750	9.3096%
<b>Senior Managers</b>				<b>% of Issued Shares</b>
Karen Jones	375,602	3,054,967	3,430,569	0.1372%
Omar Morgan	-	-	-	-
Andre Royes	-	-	-	-
<b>Company Secretary</b>				<b>% of Issued Shares</b>
Kayola Muirhead	-	808,069	808,069	0.0323%
Issued Shares	2,500,000,000			
Combined Directors' Holdings	999,578,640	39.983%		
Combined Connected Party Holdings	775,331,093	31.013%		
Combined Holdings	1,774,909,733	70.996%		

# FESCO IN THE COMMUNITY

supporting Proudly Jamaican initiatives



**FUTURE ENERGY SOURCE COMPANY LIMITED**  
**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2022**

**INDEX**

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Statement of changes in equity Statement of cash flows	4 - 5
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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 2022, 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 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

#### **Basis for opinion**

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

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

#### **Independence**

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

.../2

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

To the Members of  
Future Energy Source Company Limited  
Page 2

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

#### **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 2022 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 operations. 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.

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

#### **Key audit matters**

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

**INDEPENDENT AUDITORS' REPORT (continued)**

To the Members of  
 Future Energy Source Company Limited  
 Page 3

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

**Key audit matters (continued)**

<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> <ul style="list-style-type: none"> <li>➤ The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12-month or lifetime allowance is recorded.</li> <li>➤ IFRS 9 requires the company to incorporate forward-looking information reflects a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios, the probability weightings and management overlay.</li> <li>➤ These estimates involve increased judgment as a result of the economic impacts of COVID-19 on the Company's financial assets. Management considered the following: -           <ul style="list-style-type: none"> <li>▪ Qualitative factors that create COVID-19 related changes in the business and economic environment in which specific customers operate.</li> <li>▪ Increase uncertainty about potential future economic scenarios and their impact on credit losses.</li> </ul> </li> </ul> <p>We have determined that the estimates of impairment in respect of trade receivables have a high degree of estimation uncertainty. See note 3(a) of the financial statements.</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  
Future Energy Source Company Limited  
Page 4

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

**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  
Future Energy Source Company Limited  
Page 5

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

#### *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)**

To the Members of  
Future Energy Source Company Limited  
Page 6

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

To the Members of  
Future Energy Source Company Limited  
Page 7

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

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

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

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

*Baker Tilly*

**Chartered Accountants**

Kingston, Jamaica

27 June 2022

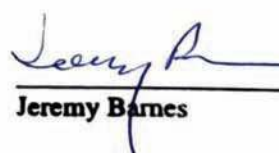
# Future Energy Source Company Limited

## Statement of Financial Position As at 31 March 2022

		<u>2022</u>	<u>2021</u>
	Note	\$	\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	1,138,450,233	256,171,873
Right-of-use assets	6	548,321	2,355,654
Finance lease receivables	7	<u>1,668,087</u>	<u>11,158,770</u>
		<u>1,140,666,641</u>	<u>269,686,297</u>
<b>Current Assets</b>			
Inventories	8	49,028,494	18,970,588
Trade and other receivables	9	280,242,449	134,077,117
Due from related parties	10	187,140,359	51,973,274
Taxation recoverable		3,037,656	188,898
Current portion of finance lease receivables	7	5,808,484	3,973,293
Cash and cash equivalents	11	<u>1,128,622,690</u>	<u>72,616,654</u>
		<u>1,653,880,132</u>	<u>281,799,824</u>
<b>TOTAL ASSETS</b>		<u><u>2,794,546,773</u></u>	<u><u>551,486,121</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
Share capital	12	228,327,973	4,802,000
Retained earnings		<u>542,262,586</u>	<u>313,622,142</u>
		<u>770,590,559</u>	<u>318,424,142</u>
<b>Non-Current Liabilities</b>			
Long term liabilities	13	1,005,468,111	23,302,763
Lease liabilities	6	-	738,603
Deferred tax liabilities	14	<u>1,267,424</u>	<u>827,892</u>
		<u>1,006,735,535</u>	<u>24,869,258</u>
<b>Current Liabilities</b>			
Trade and other payables	15	750,899,606	145,100,122
Short term loans	16	157,110,333	-
Due to related parties	10	-	15,000,000
Current portion of long term liabilities	13	105,910,505	13,345,277
Current portion of lease liabilities	6	733,029	1,939,912
Taxation payable		<u>2,567,206</u>	<u>32,807,410</u>
		<u>1,017,220,679</u>	<u>208,192,721</u>
<b>TOTAL EQUITIES AND LIABILITIES</b>		<u><u>2,794,546,773</u></u>	<u><u>551,486,121</u></u>

Approved for issue by the Board of Directors on 27 June 2022 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 2022

	Note	2022	2021
		\$	\$
<b>Turnover</b>	17	12,671,115,147	5,856,757,502
Cost of sales		(12,279,898,907)	(5,661,937,112)
<b>Gross profit</b>		391,216,240	194,820,390
Operating and administrative expenses	18	(133,942,251)	(59,373,022)
Impairment losses on financial assets	3(a)	(2,324,990)	(755,574)
<b>Operating profit</b>	19	254,948,999	134,691,794
Finance income, net	20	2,935,693	6,087,509
<b>Profit before taxation</b>		257,884,692	140,779,303
Taxation	22	(4,244,248)	(32,618,904)
<b>Net profit for the year, being total comprehensive income</b>		253,640,444	108,160,399
<b>Earnings per ordinary stock unit attributable to shareholders of the company</b>	24	\$0.102	\$0.159

## Future Energy Source Company Limited

### Statement of Change in Equity Year ended 31 March 2022

	Number of stock units	Share Capital	Retained Earnings	Total
		\$	\$	\$
<b>Balances at 1 April 2020</b>	900	900	205,461,743	205,462,643
Issue of shares (Note 12)	2,199,999,100	4,801,100	-	4,801,100
Total comprehensive income	-	-	108,160,399	108,160,399
<b>Balances at 31 March 2021</b>	2,200,000,000	4,802,000	313,622,142	318,424,142
Issue of shares (Note 12)	300,000,000	223,525,973	-	223,525,973
Dividends (Note 25)	-	-	(25,000,000)	(25,000,000)
Total comprehensive income	-	-	253,640,444	253,640,444
<b>Balances at 31 March 2022</b>	2,500,000,000	228,327,973	542,262,586	770,590,559

## Future Energy Source Company Limited

### Statement of Cash Flows Year ended 31 March 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>		
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	257,884,692	140,779,303
Adjustments for:		
Depreciation	11,349,283	3,431,463
Amortization on right-of-use assets	1,807,333	3,468,604
Impairment losses on financial assets	2,324,990	755,574
Foreign exchange losses/(gains)	2,097,148	(5,051,603)
Lease interest expense	139,596	341,970
Interest income	(12,641,125)	(4,765,355)
Interest expense	7,468,688	3,387,479
	<u>270,430,605</u>	<u>142,347,435</u>
Changes in operating assets and liabilities:		
Increase in inventories	(30,057,906)	(5,373,641)
Increase in receivables	(143,135,947)	(4,860,963)
Increase/(decrease) in payables	580,799,484	(22,081,408)
Due from related parties, net	(150,167,085)	(14,096,643)
Cash provided by operating activities	<u>527,869,151</u>	<u>95,934,780</u>
Income tax paid	(36,893,678)	(28,622,717)
Interest received	12,641,125	4,765,355
Interest paid	(7,608,284)	(3,729,449)
Cash provided by operating activities	<u>496,008,314</u>	<u>68,347,969</u>
<b>Cash Flows from Investing Activity</b>		
Purchase of property, plant and equipment	(893,627,643)	(130,981,655)
Cash used in investing activity	<u>(893,627,643)</u>	<u>(130,981,655)</u>
<b>Balance carried forward</b>	<u>(397,619,329)</u>	<u>(62,633,686)</u>

## Future Energy Source Company Limited

### Statement of Cash Flows Year ended 31 March 2022

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Balance brought forward</b>	(397,619,329)	(62,633,686)
<b>Cash Flows from Financing Activities</b>		
Issue of shares	223,525,973	4,801,100
Long term loans, net	1,069,376,201	(11,218,370)
Short term loans, net	157,110,333	-
Lease principal payments	(1,945,486)	(2,994,758)
Finance lease receivable, net	7,655,492	949,305
Cash provided by/(used in) financing activities	1,455,722,513	(8,462,723)
Net increase/(decrease) in cash and cash equivalents	1,058,103,184	(71,096,409)
Net effect of foreign currency translation on cash and bank	(2,097,148)	5,051,603
Cash and cash equivalents at the beginning of the year	72,616,654	138,661,460
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,128,622,690</b>	<b>72,616,654</b>
<b>Represented by:</b>		
Cash and cash equivalents	1,128,622,690	72,616,654

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2022

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### 1. Identification and Principal Activities

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

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

The company carries on the business of retail and wholesale trading activities in petroleum and automotive products.

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.

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2022

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

#### (a) Basis of preparation (continued)

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

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 April 2021:

**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.

**Amendment to IFRS 16, 'Leases'**, (effective for accounting periods beginning on or after 1 April 2021). As a result of the Covid-19 Pandemic, rent concessions have been granted to lessees. This amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. There was no impact on the company's financial statements from the adoption of this amendment as the company did not receive rent concessions.

The 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 2022

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

### (a) Basis of preparation (continued)

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

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 IFRS 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.

# Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2022

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

### (a) Basis of preparation (continued)

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

**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).



# Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2022

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

### (a) Basis of preparation (continued)

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

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

- IFRS 9 ‘Financial Instruments’ - Fees in the ‘10 per cent’ test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
- IFRS 16 ‘Leases’ - Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

# Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2022

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

### (a) Basis of preparation (continued)

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

**Deferred Tax related to assets and liabilities (Amendments to IAS 12 Income Taxes)** (effective for annual periods beginning on or after 1 January 2023) 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.

**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.

**Amendments to IAS 1, Presentation of financial statements' on classification of liabilities**, (effective for annual periods beginning on or after 1 January 2023). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

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 2022

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

##### (b) Foreign currency translation

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

##### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at rates to write off the carrying 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%
Buildings	2.5%
Signage	10%
Computers	20%
Right-of-use assets	over the period of the lease term

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

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

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

##### (d) Cash and cash equivalents

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2022

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

(e) **Receivables**

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

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

(f) **Inventories**

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

(g) **Share capital**

Ordinary shares are classified as equity.

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

(h) **Dividends**

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2022

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

#### (i) Income taxes

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

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

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

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

#### (j) Payables

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

#### (k) Revenue recognition

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

# Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2022

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

### (1) 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 2022

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

#### (m) Related party transactions

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv)
- (vi) the party is the company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party has a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2022

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

#### (n) Financial Instruments

##### **Classification**

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

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

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

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

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

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

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

##### **Measurement**

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

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



# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2022

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

#### (n) Financial Instruments (continued)

##### *Debt instruments*

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

##### **Impairment**

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

# Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2022

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

### (o) Impairment

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

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

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

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

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

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

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

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company'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 2022

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

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

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

- (i) lease payments made at or before commencement of the lease; initial direct costs incurred; and
- (ii) the amount of any provision recognised where the company is contractually
- (iii) 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 2022**

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**2. Summary of significant accounting policies (continued)****(p) Right-of-use assets and related lease liabilities (continued)**

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

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

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

# Future Energy Source Company Limited

## Notes to the Financial Statements 31 March 2022

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### 3. Financial risk management

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

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

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

#### **Audit Committee**

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

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

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and 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 2022

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

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

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

The company does not hold any collateral as security.

##### **Impairment of financial assets**

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

- Trade receivables for sale of petroleum and automotive products.

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

##### **Trade receivables**

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2022 and 31 March 2021 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 2022

### 3. Financial risk management (continued)

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

On that basis, the loss allowance as at 31 March 2022 and 31 March 2021 was determined as follows for trade receivables:

31 March 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.00%	2.48%	15.00%	13.95%	4.23%
Gross carrying amount – trade receivables	61,449,217	109,231,991	14,847,015	23,705,507	209,233,730
Loss allowance	614,492	2,713,260	2,227,053	3,306,068	8,860,873
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%	0%	0%	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

The closing loss allowances for trade receivables as at 31 March 2022 and 31 March 2021 reconcile to the opening loss allowances as follows:

	Trade receivables 2022 \$	Trade receivables 2021 \$
Opening expected credit loss allowance	6,535,883	5,780,309
Increase in loss allowance recognised in profit or loss during the year	2,324,990	755,574
Closing expected credit loss allowance (Note 9)	8,860,873	6,535,883

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 2022

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### 3. Financial risk management (continued)

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

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

As at 31 March 2022 there were no lifetime expected credit losses of the full value of the receivables.

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

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

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

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

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

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

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

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

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Impairment losses		
- movement in loss allowance for trade receivables	2,324,990	755,574
Net impairment losses on trade receivables	<u>2,324,990</u>	<u>755,574</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 2022

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

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

##### Undiscounted cash flows of financial liabilities

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

	1 to 3 months	3 to 12 months	1 to 5 Years	Total	Carrying amount
	\$	\$	\$	\$	\$
	<b>2022</b>				
Long term liabilities	21,237,468	153,989,551	1,258,735,046	1,433,962,065	1,111,378,616
Lease liabilities	598,944	149,736	-	748,680	733,029
Trade and other payables	750,899,606	-	-	750,899,606	750,899,606
Short term loans	2,651,236	160,645,315	-	163,296,551	157,110,333
	<u>775,387,254</u>	<u>314,784,602</u>	<u>1,258,735,046</u>	<u>2,348,906,902</u>	<u>2,020,121,584</u>
	<b>2021</b>				
Long term liabilities	3,606,831	10,820,493	43,281,972	57,709,296	36,648,040
Lease liabilities	716,714	1,347,623	748,680	2,813,017	2,678,515
Trade and other payables	145,100,122	-	-	145,100,122	145,100,122
Due to related parties	-	-	15,000,000	15,000,000	15,000,000
	<u>149,423,667</u>	<u>12,168,116</u>	<u>59,030,652</u>	<u>220,622,435</u>	<u>199,426,677</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 (3(c)(i)) and foreign currency risk (3(c)(ii)). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk exposures are measured using sensitivity analysis. There has been no significant exposure to market risks or the manner in which the company manages and measures the risk.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 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
	\$	\$	\$	\$	\$	\$
	2022					
<b>Assets</b>						
Finance lease receivables	484,040	1,452,120	3,872,324	1,668,087	-	7,476,571
Trade and other receivables	-	-	-	-	280,242,449	280,242,449
Due from related parties	-	-	-	-	187,140,359	187,140,359
Cash and cash equivalents	31,087,846	-	1,050,316,758	-	47,218,086	1,128,622,690
Total financial assets	31,571,886	1,452,120	1,054,189,082	1,668,087	514,600,894	1,603,482,069
<b>Liabilities</b>						
Long term liabilities	1,048,274	2,116,244	102,745,987	1,005,468,111	-	1,111,378,616
Lease liabilities	146,605	439,817	146,607	-	-	733,029
Trade and other payables	-	-	-	-	750,899,606	750,899,606
Short term loans	-	-	157,110,333	-	-	157,110,333
Total financial liabilities	1,194,879	2,556,061	260,002,927	1,005,468,111	750,899,606	2,020,121,584
Total interest re-pricing gap	30,377,007	(1,103,941)	794,186,155	(1,003,800,024)	(236,298,712)	(416,639,515)

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 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
	\$	\$	\$	\$	\$	\$
<b>2021</b>						
<b>Assets</b>						
Finance lease receivables	331,107	662,216	2,979,970	11,158,770	-	15,132,063
Trade and other 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
<b>Liabilities</b>						
Long term liabilities	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
Trade and other 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 2022

#### 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: -

	<u>2022</u>	<u>2021</u>
	\$	\$
Cash and cash equivalents	<u>759,361,506</u>	<u>69,956,626</u>
	<u>2022</u>	<u>2021</u>
<b>Currency</b>		
USD	\$4,968,667	\$488,626
Rate of exchange	<u>JMD 152.83</u>	<u>JMD 143.17</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>2022</u>	<u>2021</u>
		\$	\$
Revaluation	2% (2021 -2%)	(15,187,230)	(1,399,132)
Devaluation	8% (2021 – 6%)	<u>60,748,920</u>	<u>4,197,397</u>

##### (d) Fair value estimates

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

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

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

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

##### (e) Capital management

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

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

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

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Total borrowings (excluding lease liabilities)	1,268,488,949	36,648,040
Equity and total borrowing	2,039,079,508	355,072,182
Gearing ratio	<u>62.2%</u>	<u>10.32%</u>

# Future Energy Source Company Limited

## Notes to the Financial Statements

31 March 2022

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### 4. Critical accounting estimates and judgments in applying accounting policies

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

#### (i) Impairment of financial assets

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

#### (ii) Income taxes

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

#### (iii) Depreciable assets

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



## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

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

##### (iv) Valuation of financial instruments

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

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

##### (v) Leases

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

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

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

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

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 5. Property, plant and equipment

	Land	Buildings	Signage	Furniture, fixtures & equipment	Computer equipment & software	Construction work-in-progress	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost -</b>							
1 April 2020	105,380,262	-	5,187,240	24,633,357	747,815	-	135,948,674
Additions	-	-	2,110,574	4,011,231	182,468	124,677,382	130,981,655
Disposals	-	-	-	(30,000)	-	-	(30,000)
31 March 2021	105,380,262	-	7,297,814	28,614,588	930,283	124,677,382	266,900,329
Additions	-	-	10,520,425	14,309,037	1,205,654	867,592,527	893,627,643
Transfers	-	468,051,050	-	88,940,511	-	(556,991,561)	-
31 March 2022	105,380,262	468,051,050	17,818,239	131,864,136	2,135,937	435,278,348	1,160,527,972
<b>Depreciation -</b>							
1 April 2020	-	-	917,699	5,974,735	434,559	-	7,326,993
Charge for year	-	-	677,807	2,588,851	164,805	-	3,431,463
Relieved on disposals	-	-	-	(30,000)	-	-	(30,000)
31 March 2021	-	-	1,595,506	8,533,586	599,364	-	10,728,456
Charge for year	-	3,315,794	1,166,838	6,629,337	237,314	-	11,349,283
31 March 2022	-	3,315,794	2,762,344	15,162,923	836,678	-	22,077,739
<b>Net Book Value -</b>							
31 March 2022	105,380,262	464,735,256	15,055,895	116,701,213	1,299,259	435,278,348	1,138,450,233
31 March 2021	105,380,262	-	5,702,308	20,081,002	330,919	124,677,382	256,171,873

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

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

##### (i) Amounts recognised in the Statement of Financial Position

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

##### Right-of-use assets

	<u>Property</u>	<u>Motor vehicles</u>	<u>Total</u>
	\$	\$	\$
1 April 2020	1,883,203	3,941,055	5,824,258
Amortization	<u>(1,412,402)</u>	<u>(2,056,202)</u>	<u>(3,468,604)</u>
31 March 2021	470,801	1,884,853	2,355,654
Amortization	<u>(470,801)</u>	<u>(1,336,532)</u>	<u>(1,807,333)</u>
31 March 2022	<u>-</u>	<u>548,321</u>	<u>548,321</u>

##### Lease liabilities

	<u>2022</u>	<u>2021</u>
	\$	\$
Balance as at beginning	2,678,515	5,673,273
Less total payment	(2,085,082)	(3,336,728)
Add interest expense	<u>139,596</u>	<u>341,970</u>
Balance as at end of year	<u>733,029</u>	<u>2,678,515</u>

	<u>2022</u>	<u>2021</u>
	\$	\$
Current portion	733,029	1,939,912
Non-current portion	<u>-</u>	<u>738,603</u>
31 March 2022	<u>733,029</u>	<u>2,678,515</u>

## Future Energy Source Company Limited

Notes to the Financial Statements  
31 March 2022

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

#### (ii) Amounts recognised in the Statement of Comprehensive Income

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Amortization charged on right-of-use assets (included in administrative expenses)	1,807,333	3,468,604
Interest expense (included in finance costs)	<u>139,596</u>	<u>341,970</u>

#### (iii) Amounts recognized in the Statement of Cash Flows

	<u>2022</u>	<u>2021</u>
	\$	\$
Total cash outflow for leases	<u>2,085,082</u>	<u>3,336,728</u>

### 7. Finance lease receivables

	<u>2022</u>	<u>2021</u>
	\$	\$
Gross investment in finance leases:		
Current portion	4,583,142	5,047,936
Non-current portion	9,001,075	14,545,807
	<u>13,584,217</u>	<u>19,593,743</u>
Less: unearned finance income	(6,107,646)	(4,461,680)
	<u>7,476,571</u>	<u>15,132,063</u>
Represented by: -		
Current portion	5,808,484	3,973,293
Non-current portion	1,668,087	11,158,770
	<u>7,476,571</u>	<u>15,132,063</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 8. Inventories

	<u>2022</u>	<u>2021</u>
	\$	\$
Pumps and supplies	14,846,878	14,322,722
Fuel and accessories	21,502,996	-
Goods in transit	<u>12,678,620</u>	<u>4,647,866</u>
	<u>49,028,494</u>	<u>18,970,588</u>

For the years ended 31 March 2022 and 2021, inventories of Nil (2020: Nil) were written off during the year.

#### 9. Trade and other receivables

	<u>2022</u>	<u>2021</u>
	\$	\$
Trade receivables	209,233,730	116,586,263
Other	<u>79,869,592</u>	<u>24,026,737</u>
	289,103,322	140,613,000
Less: Impairment losses on financial assets (Note 3(a))	<u>(8,860,873)</u>	<u>(6,535,883)</u>
	<u>280,242,449</u>	<u>134,077,117</u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Due from related parties:		
Coore's Limited	85,612,029	13,159,076
Mackville Car Rentals Limited	61,641,752	27,045,412
Petromac Servicentre Limited	15,770,002	3,116,145
Alwil Company Limited	8,005,599	8,314,138
T.M.&T Associates Limited	<u>16,110,977</u>	<u>338,503</u>
	<u>( 187,140,359)</u>	<u>51,973,274</u>
Due to related parties:		
Directors' loans	<u>-</u>	<u>(15,000,000)</u>
	<u>-</u>	<u>(15,000,000)</u>
	<u>187,140,359</u>	<u>36,973,274</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements

31 March 2022

#### 10. Due from/(to) related parties (continued)

- (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. This balance was repaid during the year.

#### 11. Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
Short term deposits	\$	\$
Barita Investments Limited	7,873,656	12,970,811
NCB Capital Markets Limited	1,042,443,102	55,478,116
Cornerstone Trust & Merchant Bank Limited	<u>19,638</u>	<u>19,638</u>
	<u>1,050,336,396</u>	<u>68,468,565</u>
Cash at bank	78,245,794	4,148,089
Cash in hand	<u>40,500</u>	<u>-</u>
	<u><u>1,128,622,690</u></u>	<u><u>72,616,654</u></u>

- i. Short term deposits are held at licensed financial institutions and attract interest at 2% - 4% per annum. They all have remaining maturities of less than one year, substantially comprise Reverse Repurchase Agreements on Certificates of Participation, consisting of interest in, or is collateralised by mainly Government of Jamaica and Bank of Jamaica Securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The risk is managed primarily by reviews of the financial status of the counterparty.
- ii. 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 2022

#### 12. Share capital

	<u>2022</u>	<u>2021</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>2022</u>	<u>2021</u>
Issued and fully paid ordinary shares at no par value	<u>2,500,000,000</u>	<u>2,200,000,000</u>
	<u>\$</u>	<u>\$</u>
At the beginning of year	4,802,000	900
Issue of shares during the year	<u>223,525,973</u>	<u>4,801,100</u>
At end of year	<u>228,327,973</u>	<u>4,802,000</u>

- (a) At an Extraordinary General Meeting of the Company held on November 19, 2020, the Shareholders passed special resolutions to, inter alia:
- (i) Increase the maximum authorised share capital from 1,000 shares to unlimited shares.
  - (ii) Increase the issued share capital from 900 ordinary shares to 2,500,000,000 shares ranking pari passu with the existing ordinary shares.
- (b) The company issued 2,199,999,100 shares for cash consideration on December 8, 2020.
- (c) The Company was listed on the Junior Market of the Jamaica Stock Exchange on April 23, 2021 and the proceeds of the fully subscribed 300,000,000 newly issued ordinary shares amounted to \$223,525,973, net of transaction costs.

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 13. Long term liabilities

	<u>2022</u>	<u>2021</u>
	\$	\$
Bond -7.5% (a)	988,500,000	-
Cornerstone Trust & Merchant Bank Limited (b)	24,634,574	36,648,0408
Cornerstone Trust & Merchant Bank Limited (c)	92,889,667	-
Interest payable	5,354,375	-
	<u>1,111,378,616</u>	<u>36,648,040</u>
Less: Current portion	<u>(105,910,505)</u>	<u>(13,345,277)</u>
	<u>1,005,468,111</u>	<u>23,302,763</u>

- (a) The fixed rate bond, which is denominated in Jamaican dollars, was issued in February 2022 and will be redeemable in February 2027. The bond attracts interest at 7.5% per annum and is payable quarterly. There is a moratorium on principal repayment for one year following the issue date, after which principal will be repaid in fifteen (15) equal consecutive quarterly instalments of \$43.75M on the first day of each quarter with a balloon payment \$343.75M being due and payable on the maturity date.
- (b) This loan, was received on January 7, 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.
- (c) This loan, was received on April 28, 2021 for the construction purposes of property located at Beechwood Avenue and Park Avenue, Kingston 5. The loan attracts interest of 6.75% per annum. Interest on loan is paid monthly and principal is due upon maturity date of October 28, 2022.

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



## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 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:

	<u>2022</u>	<u>2021</u>
	\$	\$
Deferred income tax liabilities	(1,267,424)	(827,892)
Balance at end of year	<u>(1,267,424)</u>	<u>(827,892)</u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Balance at beginning of year	(827,892)	(677,029)
Deferred income charged to the statement of comprehensive income (Note 22)	(439,532)	(150,863)
Balance at end of year	<u>(1,267,424)</u>	<u>(827,892)</u>

Deferred income tax liabilities are attributable to the following items:

	<u>2022</u>	<u>2021</u>
	\$	\$
Deferred income liabilities:		
Accelerated tax depreciation	(1,267,424)	(827,892)
Net liabilities at end of year	<u>(1,267,424)</u>	<u>(827,892)</u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Deferred tax liabilities to be settled:		
- after more than 12 months	(1,267,424)	(827,892)
- within 12 months	-	-
	<u>(1,267,424)</u>	<u>(827,892)</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 15. Trade and other payables

	<u>2022</u>	<u>2021</u>
	\$	\$
Trade payables	699,846,622	134,765,904
Accruals	26,052,984	10,334,218
Dividend payable	25,000,000	-
	<u>750,899,606</u>	<u>145,100,122</u>

#### 16. Short term loans

		<u>2022</u>	<u>2021</u>
		\$	\$
Cornerstone Trust & Merchant Bank Limited	(a)	132,820,610	-
Cornerstone Trust & Merchant Bank Limited	(b)	24,289,723	-
		<u>157,110,333</u>	<u>-</u>

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

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

Loans (a) and (b) are secured by commercial real estate properties. See Note 13.

#### 17. 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 2022

#### 18. Expenses by nature

	<u>2022</u>	<u>2021</u>
	\$	\$
Accounting fee	1,795,000	300,000
Advertising and promotion	12,457,343	6,453,522
Amortization of right-of-use assets	1,807,333	3,468,604
Audit fee	3,500,000	2,400,000
Bank charges	4,573,629	647,247
Depreciation	11,349,283	3,431,463
Directors' fees	4,955,000	1,500,000
Donations	-	213,357
Insurance	3,221,328	-
Legal and professional fees	15,834,596	5,322,800
Motor vehicle	2,094,863	-
Office expenses	6,472,698	3,439,894
Repairs and maintenance	2,779,723	2,851,676
Security	3,614,906	89,050
Staff costs (Note 21)	49,650,104	23,551,789
Utilities	4,408,877	1,487,023
Other expenses	5,427,568	4,216,597
	<u>133,942,251</u>	<u>59,373,022</u>
Impairment losses on financial assets	2,324,990	755,574
Cost of inventories recognised as expense	12,279,898,907	5,661,937,112
Finance income, net (Note 20)	(2,935,693)	(6,087,509)
	<u><u>12,413,230,455</u></u>	<u><u>5,715,978,199</u></u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 19. Operating profit

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Auditors' remuneration	3,500,000	2,400,000
Depreciation	11,349,283	3,431,463
Amortization of right-of-use assets	1,807,333	3,468,604
Directors' emoluments		
Directors' fees	4,955,000	1,500,000
Management remuneration (included in staff costs)	15,000,000	-
Impairment losses on financial assets	2,324,990	755,574
Staff costs (Note 21)	<u>49,650,104</u>	<u>23,551,789</u>

#### 20. Finance income, net

	<u>2022</u>	<u>2021</u>
	\$	\$
Foreign exchange losses/(gains), net	2,097,148	(5,051,603)
Interest income	(12,641,125)	(4,765,355)
	(10,543,977)	(9,816,958)
Lease interest expense	139,596	341,970
Interest expense	7,468,688	3,387,479
	<u>(2,935,693)</u>	<u>(6,087,509)</u>

#### 21. Staff costs

	<u>2022</u>	<u>2021</u>
	\$	\$
Salaries and wages	40,919,477	18,843,720
Statutory contributions	4,601,218	1,912,246
Staff welfare	3,992,747	2,795,823
Casual labour	136,662	-
	<u>49,650,104</u>	<u>23,551,789</u>
Number of persons employed at the end of the year:		
Full time	<u>47</u>	<u>7</u>

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 22. Taxation

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Income tax at the appropriate rate	3,804,716	32,468,041
Deferred income taxes (Note 14)	<u>439,532</u>	<u>150,863</u>
	<u>4,244,248</u>	<u>32,618,904</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>2022</u>	<u>2021</u>
	\$	\$
Profit before taxation	<u>257,884,692</u>	<u>140,779,303</u>
Tax calculated at a tax rate of 25%	64,471,173	35,194,825
Adjusted for the effects of:		
Expenses not allowable for tax purposes	3,047,620	260,053
Employment tax credit	(6,700,066)	(2,835,974)
Remission of income tax	<u>(56,574,479)</u>	<u>-</u>
	<u>4,244,248</u>	<u>32,618,904</u>

- (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 2022

#### 23. Related party transactions

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

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

- (a) Enterprises over which a substantial interest in the voting power is owned by key management personnel', including directors and officers and close members of families; or
- (b) Enterprises over which such a person, in (a) above, is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the company.

	<u>2022</u>	<u>2021</u>
	\$	\$
At the statement of financial position date: -		
Due from related parties:		
Coore's Limited	85,612,029	13,159,076
Mackville Car Rentals Limited	61,641,752	27,045,412
Alwil Company Limited	15,770,002	3,116,145
Petromac Servicentre Limited	8,005,599	8,314,138
T.M.&T. Associates Limited	16,110,977	338,503
	<u>187,140,359</u>	<u>51,973,274</u>
		-
Directors' loans	-	(15,000,000)
	-	(15,000,000)
	<u>187,140,359</u>	<u>36,973,274</u>
Charged to statement of comprehensive income: -		
Directors' fees	4,955,000	1,500,000
Management remuneration	15,000,000	-
Sales to related parties	(6,561,990,271)	(3,456,726,952)

## Future Energy Source Company Limited

### Notes to the Financial Statements 31 March 2022

#### 24. Earnings per stock unit

	<u>2022</u>	<u>2021</u>
	\$	\$
Net profit attributable to shareholders of the company	<u>253,640,444</u>	<u>108,160,399</u>
Weighted average number of shares	<u>2,493,424,658</u>	<u>681,096,512</u>
Basic earnings per share (\$ per share)	<u>\$0.102</u>	<u>\$0.159</u>

Earnings per stock unit (“EPS”) is computed by dividing the net profit attributable to stockholders of 2022: \$253,640,444; (2021: \$108,160,399) by the weighted average number of ordinary stock units in issue during the year, numbering 2,493,424,658 (2021: 681,096,512).

The increase in number of shares represents shares issued through an Initial Public Offering of 300,000,000 stock units on April 23, 2021. (See Note 12).

#### 25. Post balance sheet event

##### *Proposed dividends*

	<u>2022</u>	<u>2021</u>
	\$	\$
Declared at \$0.01 (2021: NIL) cent per share	<u>25,000,000</u>	-
Total dividends to shareholders	<u>25,000,000</u>	-

At a meeting held on March 30, 2022, the Board of Directors approved a dividend of \$0.01 per stock unit payable on June 24, 2022 to shareholders on record as at April 22, 2022.

## Future Energy Source Company Limited

### Notes to the Financial Statements

31 March 2022

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#### 26. Coronavirus (Covid-19)

The Novel Coronavirus (Covid-19) outbreak was declared a global pandemic in March 2020 by the World Health Organization. The pandemic and the measures introduced to control its human impact resulted in the disruptions of international and local economic activity, commerce, business operations and asset prices.

The Government implemented several measures aimed at reducing the spread of the virus, including nightly curfews, home quarantine for citizens of a specific age and restrictions on the number of persons in public gathering at any one time. These restrictions have had adverse economic effects on the financial operations of many stakeholders.

The Covid-19 pandemic continued to affect the company's operations during the period 2021-2022 financial year. Although the company has been experiencing the pandemic, management continue to learn how to navigate its effects as new variants and modified scientific information created the need for us to constantly adjust our operations.

Providing a safe workplace for our employees and stakeholders continued to be paramount during the year. Our sanitization and other operating costs increased given the need for more frequent cleaning and sanitation. Management allocated the necessary portions of our office expense budget to maintain frequent sanitization, temperature checks and personal protective equipment where applicable. The business also ensured that office staff members had the ability to work from home where appropriate, by granting remote access to the information system.

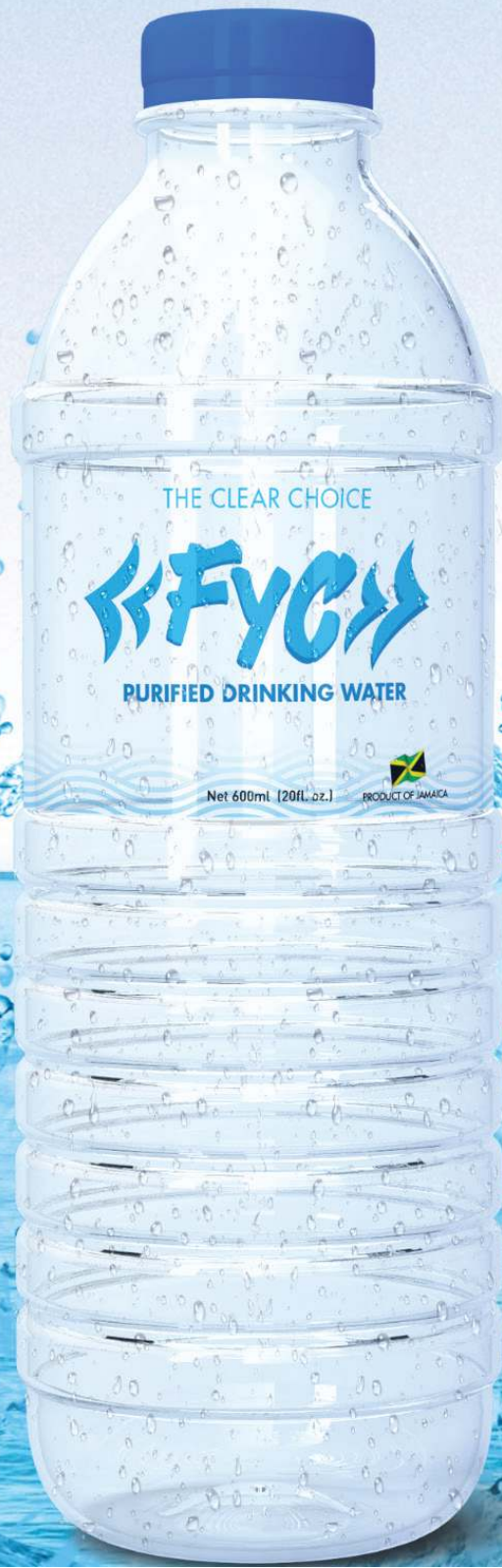
The advances in the development of vaccines and the promotional drive being undertaken by countries continue to be a positive step towards ensuring that the population is responding to the vaccines and vaccination programs. Though restrictions are being carefully and slowly lifted, it may take some time before business returns to normalcy. Management's conclusion that the operation of the business is a going concern remains appropriate.

Management is proud to report that despite the onset of COVID 19 pandemic and all the attendant restrictions on travel, social engagements and general business activity which presented a very challenging year for Jamaica and our industry in particular, the Company has exceeded its performance for the year ended 31 March 2022. Additionally, to date, the Government of Jamaica has followed through on its proclamation that it will no longer pursue total lockdowns and no movement days as pandemic containment tools.

Management has also seen the reopening up of the entertainment, leisure and education sectors and is optimistic that the expected resultant increase in travel and commerce could potentially result in favourable prospects for the business operation.



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