

FUTURE ENERGY SOURCE COMPANY LIMITED



FIRST QUARTER (Q1) REPORT

For the First (1st) Quarter ended June 30, 2023 for the financial year
April 1, 2023 to March 31, 2024

A promotional graphic for FESGAS. It features a smiling man with a beard, wearing a white polo shirt with "FESGAS" on the chest, blue jeans, and brown shoes. He is holding a large white gas cylinder on his shoulder. The cylinder has "FESGAS" and "11 KG" printed on it. The background is a solid blue. At the top, the text "Now you're Cooking with" is in a white script font, followed by "FESGAS" in large, bold, white capital letters. To the right of the man, the words "ORDER NOW" are written in large, bold, white capital letters. Below this is a large QR code with the "FESGAS" logo in the center. At the bottom, there are three circular icons: a telephone, a computer mouse cursor, and a WhatsApp logo. Next to these icons are the following text elements: "1-888-4FESGAS", "FESGASJA.COM", and "WHATSAPP TEXT 876-454-0925". At the very bottom, there is a red rectangular logo with "FESCO" and the three-circle graphic, followed by the text "PROUDLY JAMAICAN" in a stylized font.



CONTENTS:

1. Report to Stockholders
 - a. Directors' statement
 - b. Overview
2. Top 10 Shareholders
3. Shareholdings of Directors and Senior Managers
4. Unaudited Financial Statements



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1. Report to Ordinary Shareholders

Directors' Statement

The Board of Directors of Future Energy Source Company Limited ("FESCO" or the "Company") takes pleasure in presenting the Company's unaudited financial statements for the first (1st) quarter ended June 30, 2023 for the financial year April 1, 2023 to March 31, 2024.

Overview

We are pleased to report that the Company achieved its best quarter ever as it relates to:

1. Gross profit: J\$338.63 million up J\$122.55 million or 56.72% vs Q1 June 2022
2. EBITDA: (as indicated in our Q4 report, EBITDA will be a key performance indicator (KPI) for the short & medium term): J\$239.93 million up J\$81.48 million or 51.43% vs Q1 June 2022
3. Net profit: J\$158.01 million up J\$6.22 million or 4.1% vs Q1 June 2022
4. Book value of equity: J\$1.46 billion, which is up 12.14% since the last financial year ended March 31, 2023 and up 58.27% or J\$158.03 million when compared to Q1 June 30, 2022.

Further, the Company was able to:

1. Sell its first (1st) litre of its LPG product FESGAS in April 2023;
2. Introduce a no BLEVE (Boiling Liquid Expanding Vapour Explosion) composite LPG cylinder to the domestic market;
3. Acquire the LPG assets of Wilson Beck including its LPG filling plant facility at Bernard Lodge;
4. Be the official LPG Sponsor of the Jamaica Observer Food Awards 2023;
5. Host its first Celebrity Cook Off Challenge at the official FESGAS Launch event in July 2023, won by highly acclaimed and Grammy nominated reggae recording artist Jesse Royal;
6. Expand its LPG facilities and distribution footprint; and
7. Continue its service station network expansion and work-in-progress Capex/investments.

Financial Highlights:

For the quarter ended June 30, 2023, FESCO recorded Turnover/Revenues of J\$6,562.17 million which reflects a 1.64% or J\$105.88 million year over year increase. Several factors affect revenue/turnover with the supply price of fuel being a major component.

On average, this quarter's refinery prices have decreased between J\$36.01 - J\$37.05 per litre for gasoline and J\$29.70 – J\$35.31 for diesel relative to the similar period last year Q1 ending March 31, 2022.

Accordingly, FESCO's marginal growth in Turnover for the quarter (Q1) ended June 2023, relative to Q1 June 2022, reflects significant growth in litres of fuel sold. Please refer tables below for details:

Petrojam Fuel Prices (Kingston)							
	Start of Q1	End of Q1	Q1 June 2023 Average Price	Start of Q1	End of Q1	Q1 June 2022 Average Price	Average Price Change Vs Previous
	April 1, 2023	June 30, 2023	J\$	April 1, 2022	June 30, 2022	J\$	change J\$
87	167.82	166.64	167.23	191.33	215.14	203.24	(36.01)
90	172.30	170.11	171.20	196.35	220.16	208.25	(37.05)
ADO	191.87	161.72	176.80	196.95	227.26	212.11	(35.31)
ULSD	202.72	169.32	186.02	201.44	230.00	215.72	(29.70)

FESCO has no control over the supply price of fuel and, instead, focuses more on quantity of fuel sold and gross profit.

	Unaudited	Unaudited			Audited
	1st Quarter 3 months ended 30-Jun-23	1st Quarter 3 months ended 30-Jun-22	Difference +/- Q1 June 2023 vs Q1 June 2022 \$	Growth % Q1 June 2023 vs Q1 June 2022 %	12 months April 2022- March 2023 31-Mar-23
Turnover	6,562,174,927	6,456,296,412	105,878,515	1.64%	26,282,165,790
Cost of sales	(6,223,548,055)	(6,240,219,906)	16,671,851	-0.27%	(25,394,347,783)
Gross profit	338,626,872	216,076,506	122,550,366	56.72%	887,818,007
Other Income	-	-	-	-	3,732,315
Operating and administrative expenses & other	(136,567,863)	(65,047,974)	(71,519,889)	109.95%	(307,287,423)
Impairment losses on financial assets	-	-	-	-	(17,863,251)
Operating profit	202,059,009	151,028,532	51,030,477	33.79%	566,399,648
Finance income, net	(44,048,553)	759,567	(44,808,120)	-5899.17%	8,115,292
Profit before taxation	158,010,456	151,788,099	6,222,357	4.10%	574,514,940
Taxation	-	-	-	-	(3,248,187)
Net profit for the period, being total comprehensive income	158,010,456	151,788,099	6,222,357	4.10%	571,266,753
EBIT	202,059,009	151,028,532	51,030,477	33.79%	566,399,648
Depreciation	(37,047,064)	(6,902,424)	(30,144,640)	436.73%	(28,416,394)
Amortisation of Right of use asset	(823,813)	(514,050)	-	-	(548,321)
EBITDA	239,929,886	158,445,006	81,484,880	51.43%	595,364,363
Shareholders' Equity	1,459,888,514	922,378,658	537,509,856	58.27%	1,301,857,312
Non Current Assets	2,935,548,753	1,489,801,496	1,445,747,257	97.04%	2,771,328,826
Current Assets	1,353,447,521	1,636,446,906	(282,999,385)	-17.29%	1,055,447,990
Current Liabilities	1,070,992,250	1,294,335,529	(223,343,279)	-17.26%	753,495,827
Net Current Assets	282,455,271	342,111,377	(59,656,106)	-17.44%	301,952,163
Current Ratio	1.26	1.26	-	-	1.40
Debt (Long Term)	1,758,115,510	909,534,215	-	-	1,771,423,677
Operating Expenses as a % of GP	40.33%	30.10%	-	-	34.61%
Operating Expenses (excl. Depreciation) as a % of GP	29.39%	26.91%	-	-	31.41%
Debt/Equity (Static)	1.20	0.99	-	-	1.36

FESCO recorded gross profit of J\$338.63 million for the quarter which reflects growth of 56.72% or J\$122.55 million year over year. The Company's Q1 gross profit of J\$338.63 is 38.14% of the gross profits earned for the entire year ended March 2023 and just J\$50.72 million shy of its gross profits for the entire year ended March 2022 of J389.49 million. The improvement in gross profit reflects both increasing throughput (measured in litres of fuel sold) and diversification of product offerings and services.

Operating Expenses of J\$136.57 million, for the period, is up J\$71.52 million versus the similar period last year or 109.95%. Operating expenses of J\$136.57 for the quarter exceeds the operating expenses for the entire year ending March 2022. This expansion of expenses directly reflects the expanded operations of the Company and remains relative to its earnings as measured by gross profits. The Company's operating expenses excluding depreciation was 29.39% of gross profits for the quarter and is marginally up from 26.9% archived in Q1 2022 and is lower than the 31.41% archived for the Audited financial year ended March 2023.

The Company's LPG operation is capital intensive as it relates to its fixed asset requirements to establish and fulfil the business' services and operation. Accordingly, depreciation and interest expense will in the forming period outweigh its medium and long term "weight" relative to gross profit. Staff costs, bank charges, advertising, insurance and security continue to be our main expense items. Our operations continue to be efficient represented by our total operating expenses being approximately 40% of gross profits and (June 2023: 40.3% vs June 2022: 30.1%); and more importantly for this stage of our LPG business development, our total operating expenses excluding depreciation of 29.39% of gross profits reflects efficiency.

	1st Quarter Ended June 2023		1st Quarter Ended June 2022			
Gross Profits (GP)	338,626,872		216,076,506			
Expenses	1st Quarter ended June 2023	% of GP	1st Quarter ended June 2022	% of GP	+/- %	+/- \$
Accounting fees	640,000	0.5%	333,000	0.5%	92.2%	307,000
Advertising and Promotion	6,343,211	4.6%	3,169,987	4.9%	100.1%	3,173,224
Audit fees	1,850,000	1.4%	1,657,584	2.5%	11.6%	192,416
Bank Charges	6,075,134	4.4%	5,058,780	7.8%	20.1%	1,016,354
Depreciation	37,047,064	27.1%	6,902,424	10.6%	436.7%	30,144,640
Amortisation of Right of use asset	823,813	0.6%	514,050	0.8%	60.3%	309,763
Director fees	2,200,000	1.6%	925,000	1.4%	137.8%	1,275,000
Donation	319,680	0.2%	130,000	0.2%	145.9%	189,680
Office Expenses	1,811,405	1.3%	1,795,212	2.8%	0.9%	16,193
Legal & Professional fees	4,863,674	3.6%	2,316,300	3.6%	110.0%	2,547,374
Rent Expenses	-	0.0%	450,000	0.7%	-100.0%	(450,000)
Repairs and Maintenance	3,023,390	2.2%	2,154,933	3.3%	40.3%	868,457
Staff Costs	49,288,852	36.1%	20,300,796	31.2%	142.8%	28,988,056
Utilities	4,433,472	3.2%	3,548,728	5.5%	24.9%	884,744
Other Expenses	17,848,167	13.1%	15,791,178	24.3%	13.0%	2,056,989
SubTotal	136,567,863	40.3%	65,047,972	30.1%	109.9%	71,519,891
Impairment Losses	-	0.0%	-	0.0%		-
Total Expenses	136,567,863	40.3%	65,047,972	30.1%	109.9%	71,519,891

For the quarter, FESCO recorded operating profit or EBIT of J\$202.06 million which reflects a 33.79% or J\$51.03 million, year over year increase. Earnings before interest, taxes, depreciation and amortisation EBITDA was J\$239.93 million up \$J81.48 million or 51.43% from \$158.45 million earned in Q1 June 2022.

For the quarter, FESCO incurred finance costs of J\$44.05 million which, in the main, reflects the interest costs related to its debt/bonds.

For the quarter ended June 2023 profit after taxes of J\$158.01 million reflects growth of 4.1% or J\$6.22 million, year over year.

Book Value or Shareholders' Equity as at June 2023, has increased to sum J\$1.46 billion, up from J\$1.30 billion as at June 30, 2022.

The Company's current ratio of 1.26 (June 30, 2023) remains flat compared to 1.26 at March 31, 2023. As at June 30, 2023, the Company's Debt to Equity (D/E) (long term-static) is 1.20 versus 1.36 from March 31, 2023.

A look ahead

FESCO continues to monitor the moderating inflationary forces within the economy, the recent interest “freeze” by the central bank, the near full employment in many sectors of the economy, a resilient and expanding tourism product among other factors affecting consumer consumption as well as our allocation of investment capital. The Company must also navigate industry-related margin contractionary forces and consolidation within the industry. The Company remains mindful of opportunities for growth and further investment. Internal or self-funding via profit generation, profit retention, at this time, has proven to be the most efficient and cost effective source of capital to fund growth.

In July 2023 we opened our nineteenth (19th) retail service station FESCO Maypen (DODO). We welcome and invite you our valued stakeholders to patronise the station and we thank the owner/dealer and their staff for their efforts, commitment and excellent customer service. We congratulate and appreciate the efforts of the construction, fabrication and installation, branding, training and administrative teams, contractors and project manager for their execution of this project.

In August we intend to open our twentieth service (20th) service station FESCO Kitson Town (DOCO) and in October we intend to open our twenty-first (21st) service station FESCO Port Maria (DODO). We hope that all our stations will continue to provide you our valued stakeholders with great fuelling opportunities and services.

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





2. Top 10 Shareholders

	Shareholder	Number of Shares	% of Issued Shares
1	Errol McGaw	347,652,831	13.9061%
2	Trevor Barnes	347,065,082	13.8826%
3	Barita Investmnet Ltd - Long A/C	258,321,180	10.3328%
4	Trevor Heaven Holdings Ltd.	218,768,155	8.7507%
5	Tweedside Holdings	215,862,436	8.6345%
6	Junior Williams	134,738,750	5.3896%
7	Neville Allen	134,330,478	5.3732%
8	Anna Williams -Bacchus	116,362,569	4.6545%
9	Jeremy Barnes	95,000,000	3.8000%
10	Roy Davidson	66,023,200	2.6409%
		<u>1,934,124,681</u>	<u>77.3650%</u>

Issued Shares

2,500,000,000

3. Shareholdings of Directors and Senior Managers

Shareholdings of Directors, Officers & Connected Parties

DIRECTORS	Personal Shareholdings	Connected Parties' Shareholdings	Total	% of Issued Shares
Trevor Barnes	347,065,082	63,613,576	410,678,658	16.4271%
Jeremy Barnes	95,000,000	284,475	95,284,475	3.8114%
Harry Campbell	1,051,948	-	1,051,948	0.0421%
Hugh Coore	12,985,088	277,816,495	290,801,583	11.6321%
Gloria DeClou	-	-	-	0.0000%
Lyden Heaven	5,778,520	280,697,128	286,475,648	11.4590%
Vernon James	17,000,000	-	17,000,000	0.6800%
Errol McGaw	347,652,831	61,770,000	409,422,831	16.3769%
Eaton Parkins	39,569,544	97,966	39,667,510	1.5867%
Belinda Williams	250,000	-	250,000	0.0100%
Junior Williams	134,738,750	61,750,000	196,488,750	7.8596%
SENIOR MANAGERS				% of Issued Shares
Karen Jones	375,602	-	375,602	0.0150%
Omar Morgan	-	-	-	0.0000%
Rowena Nelson	378,063		378,063	0.0151%
Khalil Stephenson'			-	0.0000%
Kareem Gordon	13,428		13,428	0.0005%
Stefan Lynshue			-	0.0000%
Annette Lewis	8,299		8,299	0.0003%
Andre Royes	-	-	-	-
COMPANY SECRETARY				% of Issued Shares
Kayola Muirhead	-	808,069	808,069	0.0323%

Issued Shares 2,500,000,000

Combined Directors' Holdings	1,001,091,763	40.044%
Combined Connected Party Holdings	499,009,640	19.960%
Combined Holdings	1,500,101,403	60.004%

4. Unaudited Financial Statements

Future Energy Source Company Limited



1st Quarter Results

For the first (1st) Quarter ended June 30, 2023 for the financial year
April 1, 2023 to March 31, 2024

Table of Contents

Statement of Financial Position	12
Statement of Comprehensive Income	13
Statement of Changes in Equity.....	14
Statement of Cash Flows	15
Notes to the Financial Statements.....	16


Statement of Financial Position

For the First (1st) Quarter ended June 30, 2023

FUTURE ENERGY SOURCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR FIRST (1st) QUARTER JUNE 30, 2023

	Unaudited 3 Months Ended 30-Jun-23 \$	Unaudited 3 Months Ended 30-Jun-22 \$	Audited 12 Months Ended 31-Mar-23 \$
ASSETS			
NON-CURRENT ASSETS:			
Property, Plant and Equipment	2,886,943,790	1,489,767,226	2,746,177,340
Right - of - use Assets	48,604,963	34,270	-
Finance Lease	-	-	25,151,486
	<u>2,935,548,753</u>	<u>1,489,801,496</u>	<u>2,771,328,826</u>
CURRENT ASSETS			
Inventories	47,450,209	60,731,292	94,885,856
Prepayments & Receivables	898,882,819	468,239,716	520,480,569
Due from Related Parties	188,938,329	198,755,269	139,779,103
Taxation Recoverable	-	5,472,179	6,821,387
Current portion Finance lease	-	-	5,602,595
Cash and Cash Equivalents	218,176,165	903,248,450	287,878,480
	<u>1,353,447,521</u>	<u>1,636,446,906</u>	<u>1,055,447,990</u>
TOTAL ASSETS	<u>4,288,996,275</u>	<u>3,126,248,402</u>	<u>3,826,776,816</u>
EQUITIES & LIABILITIES			
SHAREHOLDER' EQUITY			
Share Capital	228,327,973	228,327,973	228,327,973
Retained Earnings	1,231,560,541	694,050,685	1,073,529,339
TOTAL EQUITY	<u>1,459,888,514</u>	<u>922,378,658</u>	<u>1,301,857,312</u>
NON-CURRENT LIABILITIES			
Long term Loan	1,704,369,119	908,266,791	1,766,908,066
Lease Liabilities	49,230,780	-	-
Due to Related Parties	-	-	-
Deferred Tax Liabilities	4,515,611	1,267,424	4,515,611
	<u>1,758,115,510</u>	<u>909,534,215</u>	<u>1,771,423,677</u>
CURRENT LIABILITIES			
Payables and Accruals	796,876,619	946,758,341	510,442,376
Short term loans	-	157,110,333	-
Current portion of Long term loan	274,115,631	187,603,329	243,053,451
Current portion of finance lease	-	296,320	-
Taxation Payable	-	2,567,206	-
	<u>1,070,992,250</u>	<u>1,294,335,529</u>	<u>753,495,827</u>
TOTAL EQUITY AND LIABILITIES	<u>4,288,996,274</u>	<u>3,126,248,402</u>	<u>3,826,776,816</u>

Approved for issue by the Board of Directors on August 14, 2023 and signed on its behalf by:


Trevor Heaven Director


Jeremy Barnes Director

Statement of Comprehensive Income

For the First (1st) Quarter ended June 30, 2023

FUTURE ENERGY SOURCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR FIRST (1st) QUARTER JUNE 30, 2023

	Unaudited 3 Months Ended 30-Jun-23 ₹	Unaudited 3 Months Ended 30-Jun-22 ₹	Audited 12 Months Ended 31-Mar-23 ₹
TURNOVER	6,562,174,927	6,456,296,412	26,282,165,790
COST OF SALES	(6,223,548,055)	(6,240,219,906)	(25,394,347,783)
GROSS PROFIT	338,626,872	216,076,506	887,818,007
OTHER INCOME			3,732,315
OPERATING AND ADMINISTRATIVE EXPENSES	(136,567,863)	(65,047,974)	(307,287,423)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS	-	-	(17,863,251)
	202,059,009	151,028,532	566,399,648
NET FINANCE INCOME/ (COSTS)	(44,048,553)	759,567	8,115,292
PROFIT BEFORE TAXATION	158,010,456	151,788,099	574,514,940
TAXATION	-	-	(3,248,187)
NET PROFIT	158,010,456	151,788,099	571,266,753
The weighted average stock units Issued	2,500,000,000	2,500,000,000	2,500,000,000
Earnings per Stock Unit	0.0632	0.0607	0.2285

Statement of Changes in Equity

For the First (1st) Quarter ended June 30, 2023

FUTURE ENERGY SOURCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR FIRST (1st) QUARTER JUNE 30, 2023

	Number of stock units	Share Capital \$	Retained Earnings \$	Total \$
Balance at April 1, 2022	2,500,000,000	228,327,973	542,262,586	770,590,559
Total Comprehensive Income the quarter		-	151,788,099	151,788,099
Balance as at June 30, 2022	2,500,000,000	228,327,973	694,050,685	922,378,658

Balance at April 1, 2023	2,500,000,000	228,327,973	1,073,550,085	1,301,878,058
Total Comprehensive Income the quarter	-	-	158,010,456	158,010,456
Balance as at June 30, 2023	2,500,000,000	228,327,973	1,231,560,541	1,459,888,514

Statement of Cash Flows

For the First (1st) Quarter ended June 30, 2023

FUTURE ENEGERGY SOURCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR FIRST (1st) QUARTER JUNE 30, 2023

	Unaudited 3 Months Ended 30-Jun-23 ₹	Unaudited 3 Months Ended 30-Jun-22 ₹
CASH RESOURCES WERE PROVIDED BY/(USED IN)		
Cash Flows from operating Activities		
Profit before Taxation	158,010,456	151,788,099
Adjusting for:	-	-
Depreciation	37,047,064	6,902,424
Amortisation on right of use assets	844,562	514,051
Foreign Exchange Losses	6,502,826	4,447,093
Gain on disposal of Property, Plant and Equipment	-	-
Lease Interest Expense	1,002,004	12,498
Mortgage Interest Expense	4,299,743	4,701,970
Interest Expense/ Finance Costs	35,584,487	-
Interest Income	(3,340,508)	(9,921,128)
	239,950,635	158,445,007
Changes in operating assets and liabilities:		
Decrease in Inventories	47,435,647	(11,702,798)
Increase in Receivables	(378,402,250)	(187,997,267)
Decrease in Tax Recoverable	6,821,387	(2,434,523)
Increase in payables	286,434,243	195,858,735
Due from Related Parties	(49,159,226)	(11,614,910)
Current portion - Finance Lease	5,602,595	7,476,571
Cash provided by operating activities	158,683,032	148,030,815
Income Tax Paid	-	-
Interest received	3,340,508	9,921,128
Interest paid	(40,886,235)	(4,714,468)
Net Cash used in operating activities	(37,545,727)	5,206,660
Cash from Investing Activities		
Purchase of property, plant and Equipment	(177,813,514)	(358,219,418)
Proceed from disposal of Property, Plant & Equipment	-	-
Unquoted Investment	-	-
Cash (used) Investing Activities	(177,813,514)	(358,219,418)
Cash flows from Financing Activities		
Issue of shares	-	-
Dividend Paid	-	-
Long term loans, net	15,818,703	(15,508,496)
Short term loans net	-	-
Loan principal payments	(47,295,469)	-
Lease principal payments	(197,996)	(436,709)
Finance Lease Receivable net	25,151,486	-
Cash provided/(used) by financing activities	(6,523,277)	(15,945,205)
Net increase in cash and cash equivalent during the period	(63,199,486)	(220,927,149)
Effect of foreign exchange on cash and bank	(6,502,826)	(4,447,092)
Cash and cash equivalent at the beginning of the period	287,878,480	1,128,622,690
Cash and cash equivalent at the end of the period	218,176,165	903,248,450
Represented by:		
Cash and Cash Equivalents	218,176,165	903,248,450
	218,176,165	903,248,450

Notes to the Financial Statements

Expenses:

ADMINISTRATIVE AND OTHER EXPENSES UNAUDITED FIRST (1ST) QUARTER JUNE 30, 2023

	3 Months Ended 30-Jun-23 \$	3 Months Ended 30-Jun-22 \$
ADMINISTRATIVE AND OTHER EXPENSES		
Accounting fees	640,000	333,000
Advertising and Promotion	6,343,211	3,169,987
Audit fees	1,850,000	1,657,584
Bank Charges	6,075,134	5,058,780
Depreciation	37,047,064	6,902,424
Amortisation of Right of use asset	823,813	514,050
Director fees	2,200,000	925,000
Donation	319,680	130,000
Office Expenses	1,811,405	1,795,212
Legal & Professional fees	4,863,674	2,316,300
Rent Expenses	-	450,000
Repairs and Maintenance	3,023,390	2,154,933
Staff Costs	49,288,852	20,300,796
Utilities	4,433,472	3,548,728
Other Expenses	17,848,167	15,791,178
	136,567,863	65,047,974