

FUTURE ENERGY SOURCE COMPANY LIMITED



SECOND QUARTER (Q2) REPORT

For the Second (2nd) Quarter ended September 30, 2022 for the financial year
April 1, 2022 to March 31, 2023

NOW OPEN
ALONG THE
OCHO RIOS BYPASS



welcome to
FESCO  **OCHO RIOS**



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UPGRADE TO
E10 BLEND 88

BETTER PERFORMANCE

CLEANER BURN

GREATER VALUE

FUELING THE FUTURE

FESCO
PROUDLY JAMAICAN

1. Report to Ordinary Shareholders

Directors' Statement

The Board of Directors takes pleasure in presenting the unaudited financial statements of Future Energy Source Company Limited ("FESCO" or "The Company") for the second (2nd) quarter ended September 30, 2022 for the financial year April 1, 2022 to March 31, 2023.

Overview

We are pleased to report that FESCO continues to achieve solid financial performance whilst pursuing its CAPEX and investment program; in Q2 the Company opened one additional location in Whitehall, St. Elizabeth, and on November 11, 2022 opened its 18th service station, FESCO Ocho Rios. The Company:

1. Exceeded its three (3) month profit after tax performance for the similar period last year by 125.98% or J\$72.08 million to total J\$129.29 million;
2. By recording J\$281.08 million net profit year to date (YTD), has exceeded its entire 12 month net profit for the year ended March 2022 by J\$27.44 million or 10.82% (J\$281.08 million vs. J\$253.64 million);
3. Has almost tripled its entire 12 month net profit performance of the year ended March 2021 (J\$281.08 million versus \$108.160 million);
4. Achieved book value of equity of J\$1.05 billion, which is up 36.47% or J\$281.06 million since the last financial year ended March 31, 2022 and up 64.55% or J\$412.57 million when compared to the same quarter last year, September 30, 2021;
5. Renovated and refreshed the aesthetics of six (6) service stations;
6. Increased the availability of E10 88; E10 88 is now available at:
 - a. FESCO Beechwood
 - b. FESCO Mandeville
 - c. FESCO Braeton
 - d. FESCO Bodles (Old Harbour)
 - e. FESCO Stony Hill
7. Continues to generate operating cash surpluses and has utilised its cash holdings to reinvest significantly in the business to provide a platform for future growth. The company's YTD CAPEX for six months is J\$870.7 million. The company's CAPEX for the entire year ended March 2022 was J\$893.6 million and our PPE now stands at J\$1,995.16 million (almost J\$2 billion). Our CAPEX facilitates both the growth of our service station network and our entry into LPG ;
8. Paid a final dividend for the year ended March 2022 of J\$0.016 per share totalling J\$40.0 million on October 28, 2022.
9. Softly, and successfully opened our eighteenth (18th) service station FESCO Ocho Rios on November 11, 2022.

Financial Highlights:

	Unaudited	Unaudited	Growth %	Difference +/-
	2nd Quarter 3months ended 30-Sep-22	2nd Quarter 3 months ended 30-Sep-21		
			Q2 September 2022 vs Q2 September 2021 %	Q2 September 2022 vs Q2 September 2021 \$
Turnover	6,971,627,854	2,423,269,170	187.70%	4,548,358,684
Cost of sales	(6,781,452,046)	(2,349,804,163)	188.60%	(4,431,647,883)
Gross profit	190,175,808	73,465,007	158.87%	116,710,801
Operating and administrative expenses & other	(65,695,793)	(17,768,916)	269.72%	(47,926,877)
Operating profit	124,480,015	55,696,091	123.50%	68,783,924
Finance income, net	4,809,534	1,515,702	217.31%	3,293,832
Profit before taxation	129,289,549	57,211,793	125.98%	72,077,756
Taxation	-	-		-
Net profit for the period, being total comprehensive income	129,289,549	57,211,793	125.98%	72,077,756
Shareholders' Equity	1,051,668,206	639,102,911	64.55%	412,565,295
Non Current Assets	1,995,156,433	391,567,629	409.53%	1,603,588,804
Current Assets	1,272,013,587	883,385,289	43.99%	388,628,298
Current Liabilities	1,002,055,712	517,449,193	93.65%	484,606,519
Net Current Assets	269,957,875	365,936,096	-26.23%	(95,978,221)
Current Ratio	1.27	1.71		
Debt (Long Term)	1,213,446,102	118,400,814		
Operating Expenses as a % of GP	34.54%	24.19%		
Debt/Equity (Static)	1.15	0.19		

	Unaudited	Unaudited	Growth %	Difference +/-	Audited	Growth %	Difference +/-	Audited	Growth %
	2nd Quarter YTD ended 30-Sep-22	2nd Quarter YTD ended 30-Sep-21			12 months April 2021- March 2022 31-Mar-22			12 months April 2020- March 2021 31-Mar-21	
			Q2 YTD September 2022 vs Q2 YTD September 2021 %	Q2 YTD September 2022 vs Q2 YTD September 2021 \$		Q2 YTD September 2022 vs Audited March 2022 %	Q2 YTD September 2022 vs Audited March 2022 \$		Q2 YTD September 2022 vs Full Year Audited March 2021 %
Turnover	13,427,924,266	4,332,585,730	209.93%	9,095,338,536	12,671,115,147	5.97%	756,809,119	5,856,757,502	129.27%
Cost of sales	(13,021,671,952)	(4,204,256,692)	209.73%	(8,817,415,260)	(12,279,898,907)	6.04%	(741,773,045)	(5,661,937,112)	129.99%
Gross profit	406,252,314	128,329,038	216.57%	277,923,276	391,216,240	3.84%	15,036,074	194,820,390	108.53%
Operating and administrative expenses & other	(130,743,767)	(38,291,104)	241.45%	(92,452,663)	(136,267,241)	-4.05%	5,523,474	(60,128,596)	117.44%
Operating profit	275,508,547	90,037,934	205.99%	185,470,613	254,948,999	8.06%	20,559,548	134,691,794	104.55%
Finance income, net	5,569,101	7,114,862	-21.73%	(1,545,761)	2,935,693	89.70%	2,633,408	6,087,509	-8.52%
Profit before taxation	281,077,648	97,152,796	189.32%	183,924,852	257,884,692	8.99%	23,192,956	140,779,303	99.66%
Taxation	-	-		-	(4,244,248)			(32,618,904)	-100.00%
Net profit for the period, being total comprehensive income	281,077,648	97,152,796	189.32%	183,924,852	253,640,444	10.82%	27,437,204	108,160,399	159.87%
Shareholders' Equity	1,051,668,206	639,102,911	64.55%	412,565,295	770,607,103	36.47%	281,061,103	318,424,142	230.27%
Non Current Assets	1,995,156,433	391,567,629	409.53%	1,603,588,804	1,140,666,641	74.91%	854,489,792	269,686,297	639.81%
Current Assets	1,272,013,587	883,385,289	43.99%	388,628,298	1,653,880,132	-23.09%	(381,866,545)	281,799,824	351.39%
Current Liabilities	1,002,055,712	517,449,193	93.65%	484,606,519	1,017,220,679	-1.49%	(15,164,967)	208,192,721	381.31%
Net Current Assets	269,957,875	365,936,096	-26.23%	(95,978,221)	636,659,453	-57.60%	(366,701,578)	73,607,103	266.76%
Current Ratio	1.27	1.71			1.63			1.35	
Debt (Long Term)	1,213,446,102	118,400,814			1,006,735,535			24,869,258	
Operating Expenses as a % of GP	32.18%	29.84%			34.83%			30.86%	
Debt/Equity (Static)	1.15	0.19			1.31			0.08	

For the quarter ended June 30, 2022, FESCO recorded Turnover/Revenues of J\$6,971.63 million which reflects a 187.7% or J\$4,548.36 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 increased between J\$52.30 & J\$53.59 per litre for gasoline and J\$75.70 –J\$76.95 for diesel relative to Q2 2021. Please refer table below for details:

Petrojam Fuel Prices (Kingston)							
	Start of Q2	End of Q2	Start of Q2	End of Q2	Q2	Q2	
	July 1, 2022	September 30, 2022	July 1, 2021	September 30, 2021	Average Price 2022	Average Price 2021	Change
87	215.14	193.14	152.61	148.48	204.14	150.55	53.59
90	220.16	197.14	158.79	153.91	208.65	156.35	52.30
ADO	227.26	220.26	143.64	149.99	223.76	146.82	76.95
ULSD	230.00	227.25	152.41	153.44	228.62	152.92	75.70

Simple Average (Start and ending points only)

FESCO has no control over the supply price of fuel and, instead, focuses more on quantity of fuel sold and gross profits. Of note, fuel prices have been trending downwards i.e. Q2 2022 versus Q1 2022 and so far for Q3 versus Q2.

FESCO recorded gross profits of J\$190.16 million for the quarter which reflects growth of 158.9% or J\$116.71 million year over year. The Company's year to date gross profits of J\$406.25 million exceeds the gross profits achieved for the full year (12 months) ended March 31, 2022 of J\$391.22 million by 3.84% or J\$15.04 million despite Q2 (July – September) being traditionally one of the weakest quarters¹ for the Jamaican fuel transport industry.

Jamaican Fuel Market	87,90, ADO& ULSD Litres			
	2018	2019	2020	2021
Jan - March	276,324,258	275,056,941	290,880,991	270,321,805
April - June	282,769,162	284,880,610	220,114,908	274,441,166
July - September	265,225,381	282,497,232	268,537,440	283,333,325
October - December	308,130,958	305,074,421	274,808,805	333,080,291
Total	1,132,449,759	1,147,509,204	1,054,342,144	1,161,176,587

Covid Restricted

Operating Expenses of J\$65.70 million for the period and J\$130.74 million year to date reflects our expanded operations including operating a retail service station, and increased expenditure on repairs and maintenance to improve our service station network. Staff costs, depreciation and advertising continue to be our main expense items. Other Expenses totalling J\$29.70 million YTD includes: Registrar fees, security, insurance among other expenses. Our operations continue to be efficient represented by our operating expenses consistently being less than 40% of gross profits.

¹ Prior to and including 2019 (non-COVID years). Restricting the movement of the general public, the severity of which fluctuated weekly and monthly, by the GOJ during COVID impacted years, distorted fuel consumption patterns.

	Expenses	Expenses		
	6 Months	6 Months		
	2022	2021		
	\$	\$	Change (%)	Change (\$%)
Accounting fees	961,000	900,000	6.8%	61,000
Advertising and Promotion	7,663,187	5,397,414	42.0%	2,265,773
Audit fees	1,900,000	2,172,000	-12.5%	(272,000)
Bank Charges	10,641,029	559,645	1801.4%	10,081,384
Depreciation	13,983,194	1,107,972	1162.1%	12,875,222
Amortisation of Right of use asset	548,321	1,498,902	-63.4%	(950,581)
Director fees	1,855,000	2,540,000	-27.0%	(685,000)
Donation	1,184,716	329,499	259.6%	855,217
Office Expenses	3,762,557	2,689,849	39.9%	1,072,708
Legal & Professional fees	2,486,400	2,415,895	2.9%	70,505
Repairs and Maintenance	6,506,844	2,034,765	219.8%	4,472,079
Staff Costs	44,740,859	9,201,321	386.2%	35,539,538
Utilities	4,809,699	1,505,364	219.5%	3,304,335
Other Expenses	29,700,961	5,938,477	400.1%	23,762,484
	130,743,767	38,291,104	241.4%	92,452,663

For the quarter, FESCO recorded operating profits of J\$124.48 million which reflects a 123.5% or J\$68.78 million year over year increase. Year to date operating profits are J\$275.51 million compared to J\$90.04 million recorded a year earlier, up 205.99%.

FESCO recorded finance income for the quarter of J\$4.81 million compared to an income of J\$1.52 million last year; this reflects an increase finance income of J\$3.29 million or 217.31%. Year to date finance income is J\$5.57 million compared to J\$7.11 million last year, down 21.73%.

For the quarter ended September 2022, profits after taxes of J\$129.29 million reflects growth of 125.98% or J\$72.08 million year over year. The Company's net profit YTD of J\$281.08 million has exceeded the net profits achieved for the full year (12 months) ended March 31, 2022 by 10.82% or J\$27.47 million and is almost triple the full year's net profit achieved for the financial year ended March 31, 2021 of J\$108.16 million.

Book Value or Shareholders' Equity as at September 30, 2022, has increased to sum J\$1,051.70 million, up from J\$770.60 million as at March 31, 2022.

The Company's current ratio stands at 1.27 (September 2022) down from 1.63 at March 31, 2022. This is reduction reflects the Company's capital expenditure (CAPEX) initiative to expand its fuel distribution network and acquisition of LPG assets. As at September 30, 2022, the Company's Debt to Equity (D/E) (*long term-static*) is 1.15 versus 1.31 from March 2022.

A look ahead

The Company continues to monitor the inflationary forces within the economy, interest rate increases, near full employment in many parishes among other factors that affect private and/or consumer consumption and our deliberations regarding investment. Additionally, the Company hopes to continue to benefit from increased demand for our goods and services generally.

In November 2022 we opened our eighteenth (18th) retail service station FESCO Ocho Rios in St. Ann which was a new build. The impressive and aesthetically appealing service station retails five grades of fuel and is

our second service station in the parish of St. Ann. We welcome and thank the owner/dealer the Liao family and their staff for their efforts, commitment and excellent attention to detail and customer service. We congratulate and appreciate the efforts of the construction, fabrication, installation, branding, training and administrative teams and contractors for their execution of this project.

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 well as its promised entry into the LPG industry.

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welcome to
FESCO

OCHO RIOS

2. Top 10 Shareholders

	Shareholder	Number of Shares	% of Issued Shares
1	Trevor Barnes	349,729,711	13.9892%
2	Errol McGaw	347,652,831	13.9061%
3	Barita Investments Ltd - Long A/C	239,261,333	9.5705%
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	125,000,000	5.0000%
9	Jeremy Barnes	95,000,000	3.8000%
10	FESCO Founders' Pool Ltd.	79,000,000	3.1600%
		1,939,343,694	77.5737%

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	349,729,711	80,863,576	430,593,287	17.2237%
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	295,066,495	308,051,583	12.3221%
Gloria DeClou	-	-	-	0.0000%
Lyden Heaven	5,778,520	298,356,530	304,135,050	12.1654%
Vernon James	27,083,684	-	27,083,684	1.0833%
Errol McGaw	347,652,831	79,000,000	426,652,831	17.0661%
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	79,000,000	213,738,750	8.5496%
SENIOR MANAGERS				% of Issued Shares
Karen Jones	375,602	-	375,602	0.0150%
Omar Morgan	-	-	-	-
Andre Royes	-	-	-	-
COMPANY SECRETARY				% of Issued Shares
Kayola Muirhead	-	808,069	808,069	0.0323%

Issued Shares 2,500,000,000

Combined Directors' Holdings	1,013,840,076	40.554%
Combined Connected Party Holdings	516,669,042	20.667%
Combined Holdings	1,530,509,118	61.220%

Future Energy Source Company Limited



4. Unaudited Financial Statements

2nd Quarter Results

For the first (2nd) Quarter ended September 30, 2022 for the financial year April 1, 2022 to March 31, 2023

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Statement of Financial Position

For the Second (2nd) Quarter ended September 30, 2022

FUTURE ENERGY SOURCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR SECOND (2ND) QUARTER SEPTEMBER 30, 2022

	Unaudited 6 Months Sep-22 \$	Unaudited 6 Months Sep-21 \$
ASSETS		
NON-CURRENT ASSETS:		
Property, Plant and Equipment	1,995,156,433	390,710,877
Right - of - use Assets	-	856,752
Finance Lease	-	-
Deffered Tax Assets	-	-
	1,995,156,433	391,567,629
CURRENT ASSETS		
Inventories	69,933,023	23,129,756
Prepayments & Receivables	421,626,332	448,374,533
Due from Related Parties	180,010,610	103,070,433
Taxation Recoverable	6,837,598	1,347,096
Current portion Finance lease	-	-
Cash and Cash Equivalents	593,606,024	307,463,470
	1,272,013,587	883,385,289
TOTAL ASSETS	3,267,170,020	1,274,952,918
EQUITIES & LIABILITIES		
SHAREHOLDER' EQUITY		
Share Capital	228,327,973	228,327,973
Retained Earnings	823,340,233	410,774,938
TOTAL EQUITY	1,051,668,206	639,102,911
NON-CURRENT LIABILITIES		
Long term Loan	1,212,178,678	117,357,914
Lease Liabilities	-	215,008
Due to Related Parties	-	-
Deferred Tax Liabilities	1,267,424	827,892
	1,213,446,102	118,400,814
CURRENT LIABILITIES		
Payables and Accruals	974,580,319	503,118,436
Short term loans	-	-
Current portion of Long term loan	24,908,188	6,196,949
Current portion of finance lease	-	846,161
Taxation payable	2,567,206	7,287,647
	1,002,055,712	517,449,193
TOTAL EQUITY AND LIABILITIES	3,267,170,020	1,274,952,918

Approved for issue by the Board of Directors on November 11, 2022 and signed on its behalf by:


Trevor Heaven Director


Jeremy Barnes Director

Statement of Comprehensive Income

For the Second (2nd) Quarter ended September 30, 2022

FUTURE ENERGY SOURCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR SECOND (2ND) QUARTER SEPTEMBER 30, 2022

	Unaudited 3 Months Sep-22 \$	Unaudited 3 Months Sep-21 \$	Unaudited 6 Months Sep-22 YTD \$	Unaudited 6 Months Sep-21 YTD \$	Audited Full Year Mar-22 Full Year \$
TURNOVER	6,971,627,854	2,423,269,170	13,427,924,266	4,332,585,730	12,671,115,147
COST OF SALES	(6,781,452,046)	(2,349,804,163)	(13,021,671,952)	(4,204,256,692)	(12,279,898,907)
GROSS PROFIT	190,175,808	73,465,007	406,252,314	128,329,038	391,216,240
OPERATING AND ADMINISTRATIVE EXPENSES	(65,695,793)	(17,768,916)	(130,743,767)	(38,291,104)	(133,942,251)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS	-	-	-	-	(2,324,990)
	124,480,015	55,696,091	275,508,547	90,037,934	254,948,999
NET FINANCE INCOME (NET)	4,809,534	1,515,702	5,569,101	7,114,862	2,935,693
PROFIT BEFORE TAXATION	129,289,549	57,211,793	281,077,648	97,152,796	257,884,692
TAXATION	-	-	-	-	(4,244,248)
NET PROFIT	129,289,549	57,211,793	281,077,648	97,152,796	253,640,444
The weighted average stock units Issued	2,500,000,000	2,500,000,000	2,500,000,000	2,500,000,000	2,500,000,000
EPS	0.05172	0.02288	0.11243	0.03886	0.10146

Statement of Changes in Equity

For the Second (2nd) Quarter ended September 30, 2022

FUTURE ENERGY SOURCE COMPANY LIMITED
STATEMENT OF EQUITY
FOR THE SECOND (2ND) QUARTER SEPTEMBER 30, 2022

	Number of stock units	Share Capital \$	Retained Earnings \$	Total \$
Balance as at 31 March 2020	2,200,000,000	4,802,000	313,622,142	318,424,142
Issue of Shares during the year	300,000,000	223,525,973	-	223,525,973
Dividends			(25,000,000)	(25,000,000)
Total Comprehensive Income		-	253,640,444	253,640,444
Balance at 31 March 2022	2,500,000,000	228,327,973	542,262,586	770,590,559
Total Comprehensive Income		-	281,077,648	281,077,648
Balance as at 30 September 2022		228,327,973	823,340,234	1,051,668,206

Statement of Cash Flows

For the Second (2nd) Quarter ended September 30, 2022

FUTURE ENERGY SOURCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR SECOND (2ND) QUARTER SEPTEMBER 30, 2022

	Unaudited 6 Months Sep-22 ₹	Unaudited 6 Months Sep-21 ₹
CASH RESOURCES WERE PROVIDED BY/(USED IN)		
Cash Flows from operating Activities		
Profit before Taxation	281,077,648	97,152,796
Adjusting for:		
Depreciation	13,983,194	1,107,992
Amortisation on right of use assets	548,321	1,498,902
Foreign Exchange Losses	2,145,573	(3,134,634)
Loss on disposal of Property, Plant and Equipment	-	123,250
Lease Interest Expense	15,650	1,383,060
Mortgage Interest Expense	8,374,920	8,522
Interest Income	(16,105,244)	(5,371,810)
	290,040,062	92,768,078
Changes in operating assets and liabilities:		
Increase in Inventories	(20,904,529)	(4,159,168)
Increase in Receivables	(141,383,883)	(314,297,416)
Increase in Tax Recoverable	(3,799,942)	1,158,198
Increase in payables	223,680,713	358,018,314
Due to Related parties net	7,129,749	(65,159,194)
Taxation Payable	-	-
Current portion - Finance Lease	7,476,571	-
Cash provided by operating activities	362,238,741	68,328,812
Income Tax Paid	-	(25,519,763)
Interest received	16,105,244	5,371,810
Interest paid	(8,390,570)	(1,391,582)
Net Cash used in operating activities	7,714,674	(21,539,535)
Cash from Investing Activities		
Purchase of property, plant and Equipment	(870,689,393)	(135,751,315)
Proceed from disposal of Property, Plant & Equipme	-	400,000
Cash (used) Investing Activities	(870,689,393)	(135,351,315)
Cash flows from Financing Activities		
Issue of shares	-	223,525,973
Long term loans, net	206,710,567	86,906,823
Short term loans net	(157,110,333)	-
Lease principal payments	(81,002,317)	(1,617,346)
Finance Lease Receivable net	(733,029)	11,458,770
Cash provided/(used) by financing activities	(32,135,112)	320,274,220
Net increase in cash and cash equivalent during the per	(532,871,090)	231,712,182
Effect of foreign exchange on cash and bank	(2,145,573)	3,134,634
Cash and cash equivalent at the beginning of the period	1,128,622,690	72,616,654
Cash and cash equivalent at the end of the period	593,606,024	307,463,470
Represented by:		
Cash and Cash Equivalents	593,606,024	307,463,470
	593,606,024	307,463,470

Notes to the Financial Statements

Expenses:

	6 Months 2022	6 Months 2021
ADMINISTRATIVE AND OTHER EXPENSES		
Accounting fees	961,000	900,000
Advertising and Promotion	7,663,187	5,397,414
Audit fees	1,900,000	2,172,000
Bank Charges	10,641,029	559,645
Depreciation	13,983,194	1,107,972
Amortisation of Right of use asset	548,321	1,498,902
Director fees	1,855,000	2,540,000
Donation	1,184,716	329,499
Office Expenses	3,762,557	2,689,849
Legal & Professional fees	2,486,400	2,415,895
Repairs and Maintenance	6,506,844	2,034,765
Staff Costs	44,740,859	9,201,321
Utilities	4,809,699	1,505,364
Other Expenses	29,700,961	5,938,477
	<hr/> 130,743,767	<hr/> 38,291,104