

Regency Petroleum Company Limited
Financial Statements
31 December 2023





**McKENLEY
& ASSOCIATES**
CHARTERED ACCOUNTANTS

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To the Members of
Regency Petroleum Company Limited

Independent Auditor's Report

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 Regency Petroleum Company Limited as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

What we have audited:

The Company's financial statements comprise:

- The statement of financial position as at 31 December 2023
- The statement of comprehensive income for the year then ended
- The statement of cash flows for the year then ended
- The statement of changes in equity 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 these standards are further described in the *Auditor's 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 Code of Ethics for Professional Accountants (including International Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatements in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of 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 or error.



To the Members of
Regency Petroleum Company Limited

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. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole and informing our opinion thereon. We do not provide a separate opinion on these matters. During our work, we encountered no key audit matter that required disclosure.

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

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient 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 to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Auditor's Responsibility 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 a fair presentation.
- We are not responsible for the direction, supervision, and performance of the Company. We remain solely responsible for our audit opinion.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors of the Company 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 the Board of Directors 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 auditor's report unless law or regulation precludes public disclosures about the matter 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.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report inclusive of the Director's, Chairman of the Board and the Chief Executive Officer Reports but does not include the financial statements and the Auditor's Report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance 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 appear 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.



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 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 auditor's report is Wilfred McKenley.


Chartered Accountants
Kingston, Jamaica

February 21, 2024

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Regency Petroleum Company Limited
Statement of Financial Position
31 December 2023

	<u>Note</u>	<u>2023</u> \$	<u>2022</u> \$
Assets			
Non-current assets			
Property, plant and equipment	8	435,790,269	259,191,495
Right of use asset	8	6,226,000	6,951,359
Deferred expenditure	17	64,540,777	-
Current assets			
Inventories	9	7,804,748	4,108,305
Receivables	10	99,810,759	35,893,686
Due from related parties	11	22,898,247	30,461,384
Director's current account	12	765,167	602,167
Cash and cash equivalents	13	67,103,415	94,669,703
		<u>198,382,336</u>	<u>165,735,245</u>
Current liabilities			
Payables	14	47,947,485	19,504,388
Taxation payable	6	-	16,508,484
Current portion-lease liability		492,953	437,738
		<u>48,440,438</u>	<u>36,450,610</u>
Net current assets		<u>149,941,898</u>	<u>129,284,635</u>
Total assets less current liabilities		<u>656,498,944</u>	<u>395,427,489</u>
Equity			
Issued capital	16	260,152,400	260,152,400
Retained earnings		174,431,110	128,675,227
Exchange reserve		208,526	-
		<u>434,792,036</u>	<u>388,827,627</u>
Non-current liabilities:			
Lease liability	15	6,106,908	6,599,862
Long term borrowings	15	215,600,000	-
		<u>221,706,908</u>	<u>6,599,862</u>
Total equity and non-current liabilities		<u>656,498,944</u>	<u>395,427,489</u>

Approved for issue by the Board of Directors on February 21, 2024 and signed on its behalf by:



Dr. Andre Foote – Chairman



Andrew Williams – Chief Executive Officer

Regency Petroleum Company Limited
Statement of Comprehensive Income
Year ended 31 December 2023

	Note	2023 \$	2022 \$
Operating revenue	18 (h)	928,764,748	681,143,499
Less direct expenses	3	(807,000,615)	(568,269,342)
Gross profit		<u>121,764,133</u>	<u>112,874,157</u>
Other operating income			
Loyalty credits		-	4,736,650
Interest income		256,551	111,485
Other income		1,219,781	-
		<u>1,476,332</u>	<u>4,848,135</u>
		<u>123,240,465</u>	<u>117,722,292</u>
Less operating expenses:			
Administrative	4	(72,297,685)	*(31,964,274)
Selling & distribution	4	(1,406,724)	(128,441)
		<u>(73,704,409)</u>	<u>(32,092,715)</u>
Profit before finance costs		49,536,056	85,629,577
Finance costs	5	(3,780,173)	*(12,793,560)
Profit before taxation		45,755,883	72,836,017
Taxation	6	-	(16,508,484)
Profit after taxation		45,755,883	56,327,533
Other comprehensive income			
<i>Item that will be re-classified to profit or loss:</i>			
Exchange difference on translating US\$ bonds		208,526	-
Profit being total comprehensive income for the year		<u>45,964,409</u>	<u>56,327,533</u>
		\$	\$
Earnings per share	7	<u>0.032</u>	<u>0.049</u>

* Restated for comparative purposes.

Regency Petroleum Company Limited
Statement of Cash Flows
Year ended 31 December 2023

	Note	<u>2023</u>	<u>2022</u>
		\$	\$
Cash flows from operating activities			
Net profit		45,964,409	56,327,533
Adjustment for:			
Depreciation	8	19,344,646	14,987,985
Depreciation - right of use	8	725,359	302,233
Non-cash adjustment: reclassification of asset	8	9,738,602	-
Operating cash flows before movements in working capital		75,773,016	71,617,751
Changes in operating assets and liabilities:			
Inventories		(3,696,443)	18,829,239
Receivables		(63,917,073)	(22,169,680)
Deferred expenditure		(64,540,777)	-
Payables		28,443,098	(1,096,520)
Related party balances		7,563,136	(15,890,000)
Taxation		(16,508,485)	(4,396,673)
Director's current account		(163,000)	4,375,266
		(112,819,544)	(20,348,368)
Net cash flow (used in)/provided by operating activities		(37,046,528)	51,269,383
Cash flows from investing activities:			
Purchase of property, plant & equipment	8	(205,682,022)	(188,986,955)
Finance lease-rights of use	8	-	(7,253,592)
Net cash flow used by investing activities		(205,682,022)	(196,240,547)
Cash flows from financing activities			
Directors' loan repaid	17	-	(1,939,993)
Issue of shares, net of transaction costs	16	-	260,144,400
Finance lease	8	-	7,253,592
Finance lease-repaid		(437,738)	(215,992)
Loan proceeds		215,600,000	-
Long term loans repaid	15	-	(26,960,000)
Net cash flow provided by financing activities		215,162,262	238,282,007
Net (decrease)/increase in cash and cash equivalents		(27,566,288)	93,310,844
Cash resources at the beginning of the year		94,669,703	1,358,859
Cash resources at the end of year	13	67,103,415	94,669,703

Regency Petroleum Company Limited
Statement of Changes in Equity
Year ended 31 December 2023

	<u>No. of Shares</u>	<u>Share Capital</u>	<u>Exchange Revaluation Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balances: 31 December 2020	8,000	8,000	-	13,399,914	13,407,914
Profit for the year	-	-	-	58,947,780	58,947,780
Balances: 31 December 2021	8,000	8,000	-	72,347,694	72,355,694
Profit for the year	-	-	-	56,327,533	56,327,533
Shares converted during the year	1,148,613,416	-	-	-	-
Shares issued during the year	287,165,354	260,144,400	-	-	260,144,400
Balances: 31 December 2022	1,435,786,770	260,152,400	-	128,675,227	388,827,627
Profit for the year, being total comprehensive income	-	-	208,526	45,755,883	45,964,409
Balances: 31 December 2023	1,435,786,770	260,152,400	208,526	174,431,110	434,792,036

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Regency Petroleum Company Limited (the Company) is a private company limited by shares, incorporated on May 30, 2018, and domiciled in Jamaica. The registered office of the Company is located at 93 Great George Street, Savanna-La-Mar, and Westmoreland. The Company commenced trading on 1 January 2019. The principal activity of the Company consists of selling liquefied petroleum gases and 90 Octane gasoline.

Effective 15 December 2022, the Company was listed on the Junior Market of the Jamaica Stock Exchange (JSE) and under that regime is subject to 100 % tax remission for the next five (5) years as long as the Company remains listed.

The financial statements are expressed in Jamaican dollars.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein. These policies have been consistently applied for all the years presented, unless otherwise stated.

Going concern

The preparation of financial statements in accordance with IFRS assumes that the Company will continue in operation for the foreseeable future. This means, in part, that the statements of profit or loss and comprehensive income and the statement of financial position are prepared on the assumption that there is no intention or necessity to liquidate or curtail operations. This is commonly referred to as the going concern basis. Management believes that the preparation of the financial statements on the going concern basis is appropriate.

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are reported at fair value, through profit or loss.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

(a) Statement of Compliance (continued)

Judgments and estimates

The preparation of the financial statements in accordance with IFRS requires Management to make judgments and estimates that affect:

- The application of accounting policies;
- The reported amounts of assets and liabilities;
- Disclosures of contingent assets and liabilities; and
- The reported amounts of revenue and expenses during the reporting periods.

Actual results may differ from estimates made in the financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience, and other factors, including expectations of future events, believed to be reasonable under the circumstances. Judgments and estimates are interrelated. The Management's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revision to accounting estimates is recognized in the period in which the estimates are revised and in the future periods affected. The use of estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

The following are the accounting policies that are subject to judgments and estimates that the Management believes could have the most significant impact on the amounts recognized in the financial statements.

Financial assets

Judgment – financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of (i) the company's business model for managing the financial assets and (ii) the contractual cash flow characteristic of the financial assets. Judgment is required in determining the business model and its objective.

Revenue from contract with customers

Judgment - is required in (i) identifying performance obligations and determining the timing of the satisfaction of the performance obligations and (ii) the transaction price and the amount allocated to the performance obligations.

Estimation – if the consideration promised in a contract includes a variable amount, the company is required to estimate the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

(a) Statement of Compliance (continued)

Judgments and estimates (continued)

Impairment of assets

Judgment has been used, at each reporting date, in determining whether there has been an indication of impairment in the carrying amounts of the Company's tangible assets, which would require impairment testing to determine whether there is any indication that those assets have suffered impairment losses.

Where the carrying amount of an asset exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Inventories

Estimation – Inventories are carried at the lower of cost and net realizable value. The estimation of net realizable value is based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realize. Additionally, estimation is required for inventory provision due to shrinkage, slow-moving, and obsolescence.

Income and other taxes

Judgment – Income and other taxes are subject to Government policies. In calculating current and recoverable income and other taxes, Management uses judgment when interpreting the tax rules and in determining the tax position. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business.

Estimation – Income and other taxes are subject to Government policies, and estimates are required in determining the provision. Management recognizes liabilities for possible tax issues based on estimates of whether additional taxes may be due.

Receivables

Estimation – Management's estimate of allowance on accounts receivable is based on analysis of the aged receivables and historical experience with delinquency and default. Default rates and the allowance amount are regularly reviewed against the actual outcomes to ensure that they remain appropriate.

Others

Estimation – Other estimates include determining the useful lives of PPE for depreciation; in accounting for and measuring payables and accruals and in measuring fair values of financial instruments.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

3. COST OF SALES

	<u>2023</u>	<u>2022</u>
	\$	\$
Opening inventories	4,108,305	3,615,081
Purchases	794,659,870	558,958,911
Trucking	15,977,337	9,577,155
Handling charges	59,851	226,500
Closing inventories	(7,804,748)	(4,108,305)
	807,000,615	568,269,342

4. EXPENSES BY NATURE

	<u>2023</u>	<u>2022</u>
	\$	\$
Selling & distribution:		
Commission	1,406,724	128,441
	1,406,724	128,441
Administrative:		
Depreciation	19,344,646	14,987,985
Depreciation- right of use assets	725,359	302,233
Audit and accounting fees	7,530,000	3,355,000
Repairs and maintenance	2,108,674	1,516,712
Motor vehicle expenses	913,501	649,132
Staff costs	11,781,189	1,414,578
Telephone	7,500	34,677
Advertising & promotion	6,747,834	1,404,070
Office supplies and stationery expense	257,350	187,711
Electricity	2,313,737	717,208
Insurance	368,273	377,253
Legal & professional	7,519,331	-
Meetings	2,827,341	-
License, permits and other fees	50,000	43,000
Directors' fees	1,624,480	310,000
Security	2,683,928	-
Rental	-	420,000
Donation	1,620,000	121,400
Contracted administrative workers	2,463,830	3,213,000
Bad debt expense	-	2,341,081
Other expenses	1,410,712	569,234
	72,297,685	31,964,274

5. FINANCE COSTS

	<u>2023</u>	<u>2022</u>
	\$	\$
Interest expense	-	4,241,988
Lease liability	530,262	184,007
Commitment fees	-	4,760,970
Interest & penalties	854,106	2,459,334
Bank charges	2,395,805	1,147,261
	3,780,173	12,793,560

6. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 25%:

	<u>2023</u>	<u>2022</u>
	\$	\$
Current tax expense	-	16,508,484
	-	16,508,484

(b) The tax on the Company's profit differs from the theoretical amount that would arise using the applicable tax rate of 25% as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Profit before taxation	45,755,882	72,836,017
Tax calculation @ 25%	11,438,970	18,209,004
<i>Adjustment for difference in treatment of:</i>		
Depreciation and capital allowances	(5,219,664)	(1,196,676)
Remission of income tax	(6,837,833)	(774,028)
Net effect of other charges for tax purposes	618,527	270,184
Tax charged for the year	-	16,508,484

(c) Remission of income tax:

By notice dated 13th August 2009, the Minister of Finance and the Public Service issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Market of the Jamaica Stock Exchange (JMSE) if certain conditions were achieved after the date of initial admission.

Effective 15 December 2022, the Company's shares were listed on the Junior Market of the JSE. Consequently, the Company is entitled to a remission of income taxes for ten years in the proportion set out below;

Years 1 to 5 (16 December 2022 – 15 December 2027) – 100%

Years 6-10: (16 December 2027 - 31 December 2032) – 50%

Provided the following conditions are met:

- (i) The Company remains listed for at least 15 years and is not suspended from the JSE for any breach of its rules.
- (ii) The Subscribed Participating Voting Share Capital of the Company does not exceed J\$500 million
- (iii) The Company has at least 50 Participating Voting Shareholders

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

7. EARNINGS PER SHARE

Basic earnings per ordinary stock (EPS) unit are computed by dividing the net profit for the year attributable to shareholders by the total number of ordinary stock units of 1,435,786,770 (2022-1,162,003,868) ordinary shares in issue for the year. The Company was listed on the Junior Market of the Jamaica Stock Exchange, effective, 15 December 2022.

	<u>2023</u>	<u>2022</u>
	\$	\$
Net profit attributable to shareholders	45,964,409	56,327,533
Weighted average number of ordinary shares in issue	1,435,786,770	1,162,003,868
Basic earnings per share	<u>0.032</u>	<u>0.049</u>

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

8. PROPERTY, PLANT, AND EQUIPMENT

<u>2023</u>										
	<u>Work-in-Progress</u>	<u>Land</u>	<u>Motor Vehicle</u>	<u>Filing Plant & Site Office</u>	<u>Storage Tanks</u>	<u>Gas Cylinders</u>	<u>Furniture, Fixtures & Equipment</u>	<u>Building</u>	<u>Total</u>	<u>Rights of use Asset</u>
	\$		\$	\$	\$	\$	\$		\$	\$
At cost:										
1 January 2023	135,349,687	-	4,000,000	28,048,426	19,283,647	104,375,118	2,846,168	-	293,903,046	7,253,592
Additions	7,888,560	-	-	-	258,000	41,319,696	2,117,918	154,097,848	205,682,022	-
Reclassification of asset	(142,938,247)	12,101,500	-	-	-	-	-	121,098,145	(9,738,602)	-
31 December 2023	300,000	12,101,500	4,000,000	28,048,426	19,541,647	145,694,814	4,964,086	275,195,993	489,846,466	7,253,592
Depreciation:										
1 January 2023	-	-	400,000	10,806,371	2,536,843	20,134,621	833,717	-	34,711,552	302,233
Charge for the year	-	-	400,000	2,804,842	1,073,915	14,569,481	496,408	-	19,344,646	725,359
31 December 2023	300,000	-	800,000	13,611,213	3,610,758	34,704,102	1,330,125	-	54,056,198	1,027,592
Net book value										
31 December 2023	300,000	12,101,500	3,200,000	14,437,213	15,930,889	110,990,712	3,633,961	275,195,993	435,790,269	6,226,000

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

8. PROPERTY, PLANT, AND EQUIPMENT (continued)

<u>2022</u>								
	<u>Work-in-Progress</u>	<u>Motor Vehicle</u>	<u>Filing Plant & Site Office</u>	<u>Storage Tanks</u>	<u>Gas Cylinders</u>	<u>Furniture, Fixtures & Equipment</u>	<u>Total</u>	<u>Rights of use Asset</u>
	\$	\$	\$	\$	\$	\$	\$	\$
At cost:								
1 January 2022	4,169,163	-	26,898,426	10,599,532	60,473,471	2,775,500	104,916,092	-
Additions	131,180,524	4,000,000	1,150,000	8,684,115	43,901,647	70,668	188,986,954	7,253,592
31 December 2022	135,349,687	4,000,000	28,048,426	19,283,647	104,375,118	2,846,168	293,903,046	7,253,592
Depreciation:								
1 January 2022	-	-	8,001,528	1,475,829	9,697,109	549,100	19,723,566	-
Charge for the year	-	400,000	2,804,843	1,061,014	10,437,512	284,617	14,987,986	302,233
31 December 2022	-	400,000	10,806,371	2,536,843	20,134,621	833,717	34,711,552	302,233
Net book value								
31 December 2022	135,349,687	3,600,000	17,242,055	16,746,804	84,240,497	2,012,451	259,191,495	6,951,359

9. INVENTORIES

	<u>2023</u>	<u>2022</u>
	\$	\$
Liquid Petroleum Gas (LPG)	602,647	389,158
Gasoline - 90 Octane	5,906,003	3,719,147
Paradise Store	1,296,098	-
	7,804,748	4,108,305

10. RECEIVABLES

	<u>2023</u>	<u>2022</u>
	\$	\$
Trade receivables	23,976,792	18,888,307
Less: provision for bad debt	(624,840)	(1,844,621)
	23,351,952	17,043,686
Deposit on deferred lease expenses	71,751,179	15,350,000
Deposit on motor vehicle	3,500,000	*3,500,000
Other receivables	1,207,628	-
	99,810,759	35,893,686

The deposit on motor vehicle relates to a specialized vehicle to be used in the business, while the deferred lease deposit relates to expenses incurred constructing a gas station in the town of Negril, Westmoreland.

* restated for comparative purposes

11. RELATED PARTY BALANCES

	<u>2023</u>	<u>2022</u>
	\$	\$
Central Supplies & Construction	22,898,247	30,461,384

12. DIRECTORS' CURRENT ACCOUNT

	<u>2023</u>	<u>2022</u>
	\$	\$
Director's current account	765,167	602,167

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

13. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
	\$	\$
Cash	3,588,549	805,945
Fixed deposit	1,100,000	-
Cash equivalent- US\$ bank accounts	57,937,618	-
Cash equivalents - JA\$ bank accounts	4,477,248	93,863,758
	67,103,415	94,669,703

14. PAYABLES

	<u>2023</u>	<u>2022</u>
	\$	\$
Payables	40,293,547	17,586,768
Statutory payroll taxes	954,577	17,620
Other payables and accruals	6,699,361	1,900,000
	47,947,485	19,504,388

15. LONG-TERM BORROWINGS

	<u>2023</u>	<u>2022</u>
	\$	\$
8.5% JCSD Trustee Services Limited	215,600,000	-
	215,600,000	-

The Company accessed loan capital during the year by way of a JCSD Trustee Service bond, and the proceeds assisted with the financing of the construction of a gas station, location on Spanish Town Road, Kingston. The important restrictive security and compliance clauses included:

- (i) The term of the loan facility is for 27 months, commencing June 30, 2023 and ending September 30, 2025
- (ii) the facility is denominated and repayments are in US dollars.
- (iii) Interest to be paid quarterly over the term of the facility
- (iv) Principal payment will be payable at maturity in US dollars
- (v) The bond is secured by the equity shares of the principal shareholder and managing director.
- (vi) The Company shall not incur, assume or have any additional debts or charge whatsoever over any of its assets that will rank senior or pari passu to the facility without the consent of the Bondholders.
- (vii) The Company shall not make payments to related parties, and or declare or pay any dividends, if such payments would result in the inability of the Company to repay the principal or interest on the bond facility.

There are other regulatory and compliance requirements and special conditions to ensure there is adequate cash flows to repay the facility in addition to the Company complying with the requisite regulations of listed public companies in Jamaica.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

15. LONG-TERM BORROWINGS (continued)

Lease Liability

Right-of-use Asset, blended principal, and interest payments (rent payments) are made monthly in the amount of \$80,000 and interest is charged at 7.75%, maturing in 2032.

Principal amounts payable are as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Current portion	492,953	437,738
Long term portion	6,106,908	6,599,862
	<u>6,599,861</u>	<u>7,037,600</u>

16. SHARE CAPITAL

	<u>2023</u>	<u>2022</u>
<u>Authorized:</u>	Unlimited	Unlimited
Unlimited ordinary shares of no-par		
<u>Issued and fully paid:</u>	<u>1,435,786,770</u>	<u>1,435,786,770</u>
	\$	\$
At the beginning of the year	260,152,400	8,000
Issue of new shares in IPO @\$1	-	287,157,354
Less: transaction costs	-	(27,012,954)
At end of the year	<u>260,152,400</u>	<u>260,152,400</u>

The Company was listed on the Junior Market of the Jamaica Stock Exchange on December 15, 2022 and the proceeds of the fully subscribed ordinary shares amounted to \$287,157,354, net of transaction costs of \$27,012,954.

17. DEFERRED EXPENDITURE

	<u>2023</u>	<u>2022</u>
	\$	\$
Deposit on Spanish Town Road construction	<u>64,540,777</u>	<u>-</u>

This represents a loan given to the builder (owner) of the property located on Spanish Town, Kingston to construct a gas station which RGPL will lease. Upon completion, the monthly lease liability fee will be set off against the receivable until the balance is liquidated.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

18. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Standards, interpretations, and amendments to published standards effective in the current year.

Certain new accounting standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following that related to its operations.

Amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, and IFRS 16, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', and the illustrative examples accompanying IFRS 16, 'Leases

The adoption of these new standards, amendments to existing standards or interpretations to published standards did not have a material impact on the operations of the Company.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

18. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, amendments, and interpretations to existing 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 interpretations 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.

- Amendments to IAS 1, Non-current liabilities with covenants (deferred until accounting periods starting not earlier than 1 January 2024). These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- 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.
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to IFRS 16 – Leases on sale and leaseback, (effective for annual periods beginning on or after 1 January 2024). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Management has determined that the impact of the changes, if any will not be significant to the financial statements. 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.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

18. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transaction and balances

Monetary assets and liabilities denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities measured at historical cost denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the date of the transactions or initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

Exchange rates are determined by the published weighted average rate at which commercial banks trade in foreign currencies.

Foreign currency transactions that require settlement in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

18. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant, and equipment

Property, plant, and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Land is carried at cost and is not depreciated.

Depreciation is calculated on a straight-line method at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Current annual rates of depreciation are:

Plant & site office	10%
Storage tanks	5%
Cylinders	10%
Equipment	10%

The assets' residual values and useful lives are reviewed periodically for impairment. Where the assets' carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

(d) Inventories

Inventories, comprising mainly LPG and 90 Octane gas are stated at the lower of cost, determined consistently on the same bases, and net realizable value. The cost of inventories is determined based on purchase cost on the first-in-first-out basis.

Net realizable value is the estimated selling price of inventory during the normal course of business less estimated selling expenses.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at the bank, short term financial instruments plus highly liquid instruments including certificates of deposits, where the original maturities of such instruments usually do not exceed three (3) months. Bank overdraft that is repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

(f) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables is recorded at amortized cost.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

18. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Trade receivables

Trade and other receivables are carried at amortized cost, less impairment losses. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in bad debt expense in the statement of comprehensive income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as recovery and credited to bad debt expense in the statement of comprehensive income.

Credit risk and expected loss

The company is primarily exposed to credit risk on its trade receivable and does not provide for any lifetime expected credit loss (LECL). It applies the practical experience of not adjusting the promised consideration receivable because the period is less than 12 months. The company, in accordance with IFRS 9, recognizes a loss allowance on a forward-looking basis at an amount equal to its expected credit model (ECL) that was developed during the year in regards to its financial assets measured at amortized cost.

(h) Revenue recognition

(i) Sale of goods

Revenue is recognized when the performance obligation, satisfied at a point-in-time to transfer goods and or services to the customer is complete. The completion is assessed when the customer takes control and or obtains the benefits of the goods and /or services and the company have a present right to payment as evidence by an invoice or the right to invoice.

(ii) Finance income

Finance income comprises interest-earned on funds invested and foreign exchange gains recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

(iii) Other operating income includes miscellaneous inflows recognized when received.

(i) Expenses

- Expenses are recognised on the accrual basis.
- Finance costs comprise interest incurred on borrowings, calculated using the effective interest method, foreign exchange losses and bank-related charges.

Regency Petroleum Company Limited
Notes to the Financial Statements
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18. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating units fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in comprehensive income.

(k) Leases

Leases of property, plant, and equipment where the Company has substantially taken over all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to comprehensive income over the lease period.

Property, plant, and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

The company has adopted IFRS 16 and recognized in the Statement of Financial Position right of use assets and lease liabilities.

Right of use assets is measured at cost comprising the following:

- (1) The amount of initial measurement of the lease liability
- (2) Any lease payments made at or before the commencement date less any lease incentives received.
- (3) Any initial direct cost, and
- (4) Restoration cost

Right of use assets is generally depreciated over the shorter of the asset useful life and the lease term on a straight-line basis.

(l) Income taxes

The income tax expense for the year comprises a current and deferred tax. Income tax expense is recognized in net income, except to the extent that it relates to items recognized either in Other Comprehensive Income (OCI) or directly in equity.

I. Current taxation

The current tax charge is the expected tax payable on the taxable income for the year, using tax rates in effect at the reporting date plus any over or under provision of tax in respect of previous years.

Regency Petroleum Company Limited
Notes to the Financial Statements
31 December 2023

18. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income taxes (continued)

II. Deferred taxation

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.

The Company was listed on 15 December 2022 under the Junior Market Jamaica Stock Exchange 100% tax remission regime and management did not consider it to be prudent to account for deferred tax for the year ended 31 December 2022. See note 6 (c).

(m) Related party disclosure

Related parties are identified and disclosed to allow users of the financial statements to be aware of the possibilities that the financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the “reporting entity”)

A person or close member of that person’s family is related to a reporting entity if that person:

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity or a parent of the reporting entity.

A related party transaction involves the transfer of resources, services or obligations between a reporting company and a related party, regardless of whether a price is charged.

An entity is related to a reporting entity if any of the following conditions apply:

- The Company and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One company is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both companies are joint ventures of the same third party.
- One company is a joint venture of a third entity, and the other entity is an associate of the third entity.
- The company is a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity.
- The company is controlled, or jointly controlled by a person identified in (a) above.
- A person identified in ((a) (i)) above has significant influence over the company or is a member of the key management personnel of the company (or of a parent of the company).

(n) Share capital

Ordinary shares are classified as equity and carried at cost, net of any transaction costs.

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital is:

- Ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and access to capital;
- Optimizing the cost of capital while taking into consideration current and future industry, market, and economic risks and conditions; and
- To safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders.

20. FINANCIAL RISK MANAGEMENT

Overview and risk management framework

The Company's overall risk management policies are established to identify and analyze the risks faced by the Company and to set appropriate risk levels and controls and to monitor risk and adherence to limits. Derivative financial instruments are not used to reduce exposure to any of the risks.

The Board of Directors is ultimately responsible for the oversight of the Company's risk management and seeks to minimize potential adverse effects on the Company's financial performance and to manage these risks by close monitoring of each risk factor.

The Company has exposure to the following risks from the use of financial instruments:

- Market risk (including foreign currency and interest rate risk)
- Credit risk;
- Liquidity risk

The Company also has exposure to the following risks from its operations:

- Operational risk; and
- Reputational risk

Regency Petroleum Company Limited
Notes to the Financial Statements
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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management

The following risk categories below presents information about the Company's exposure and the Company's objectives, policies, and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the financial statements and notes thereof.

(i) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters while optimizing returns. The Company's financial risk management policy establishes guidelines on how the Company manages the market risk inherent in the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures.

All such transactions are carried out within the established guidelines. The Company does not use derivatives in order to manage the volatility of market risk.

• Foreign currency risk

Foreign 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 conducts business globally and is exposed to these risks arising from various transactions denominated in foreign currencies, primarily the United States (US\$) dollar.

The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Company further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

The Company's statement of financial position as at 31 December 2023 did not include any foreign liabilities.

The average of the Bank of Jamaica (BOJ) selling rate of exchange applicable at 31 December 2023 is 154.95 (2022 - \$155.09).

Regency Petroleum Company Limited
Notes to the Financial Statements
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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(i) Market risk (continued)

• **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest –bearing financial assets are primarily cash and cash equivalent, securities purchased under resale agreements and investments. Interest bearing financial liabilities are represented by loans and bank overdrafts.

The Company attempts to manage the risk relating to financial liabilities by procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible. A financial asset is primarily managed by investing excess cash in short-term deposits and maintains interest-earning bank accounts with licensed financial institutions considered to be stable.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company faces credit risk principally in respect of its receivables from customers and to a lesser extent cash at bank and short-term deposits held with financial institutions.

Apart from the introduction of the Expected Credit Loss Model (ECL) introduced by IFRS 9, there were no significant changes in the Company's approach to managing credit risk during the year.

Cash and cash equivalent

Cash and cash equivalent are managed by maintaining these balances with licensed financial institutions considered to be stable and are deemed to have a low risk of default.

Trade receivables credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk for receivables is mitigated by stringent credit reviews and approval of limits to customers. The Company also structures the levels of credit risk it undertakes by placing credit limits on individual counterparties. The Company has an established credit process, which involves regular analysis of the ability of customers and other counterparties to meet repayment obligations.

Regency Petroleum Company Limited
Notes to the Financial Statements
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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(ii) Credit risk (continued)

Impairment:

The Company establishes a provision for impairment that represents its estimate of possible incurred losses in respect of trade receivables. Impairment is assessed for each customer balance over 90 days. The Company's exposure to this risk is low because approximately 91% (88% - 2022) of its trade debtors are under 90 days.

The Company's credit period on the sale of goods ranges from 7 to 30 days, depending on the relationship with the respective customer. The Company introduced the ECL model in regard to impairment of receivables and this resulted in the Company providing adequately for all receivables where collectability is deemed doubtful.

Movement on the provision for impairment of trade receivables:

	<u>2023</u>	<u>2022</u>
	\$	\$
Balance at 1 January 2023	1,844,621	-
Increase in provision for receivables impairment	-	1,844,621
Bad debt recovered during the year	(1,219,781)	-
Balance at 31 December 2023	<u>624,840</u>	<u>1,844,621</u>

Aging analysis of trade receivables that are past due and impaired

Trade receivables over 90 days overdue are considered impaired and are reviewed for any necessary provision. The impairment recognized represents an estimate of possible incurred losses in respect of trade receivables over 90 days. The impaired receivables mainly relate to customers who are in unexpected difficult economic situations.

	<u>31 December</u>		<u>31 December</u>	
	<u>2023</u>		<u>2022</u>	
	\$	\$	\$	\$
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Due 0 to 60 days	19,507,358	-	15,507,462	-
Past due 61 to 90 days	1,659,137	-	1,037,508	-
Past due over 91 days	2,810,297	624,840	2,343,337	1,844,621
	<u>23,351,351</u>	<u>624,840</u>	<u>18,888,307</u>	<u>1,844,621</u>

As of 31 December 2023, past due over 90 days \$2,810,297 (2022 - \$ 2,343,337) were considered impaired, and a provision of \$624,840 or 22% (2022 - \$1.8M or 79%) was considered partially impaired and therefore no need for additional provision.

Regency Petroleum Company Limited
Notes to the Financial Statements
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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(ii) Credit risk (continued)

Financial instruments counterparty credit risk

The Company exposure to financial instruments counterparty credit risk is related to its activities with cash and cash equivalent balances and amounts due from related parties. The Company manages this exposure by maintaining these balances with licensed financial institutions considered to be stable and are deemed to have a low risk of default and to transact business only with highly rated counterparties.

Maximum exposure to financial instruments counterparty credit risk:

	<u>2023</u>	<u>2022</u>
	\$	\$
Credit risk exposures are as follows:		
Related party balances	22,898,247	30,461,384
Receivables	99,810,759	18,888,307
Cash and short-term equivalents	67,103,415	94,669,703
	<u>189,812,421</u>	<u>144,019,394</u>

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The Company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. The Company maintains cash and short-term deposits for up to 90-day periods to meet its liquidity requirements.

The Company's liquidity management process, as carried out within the Company and monitored by the Treasury function, includes:

- i. Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows
- ii. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow
- iii. Maintaining committed lines of credit
- iv. Managing the concentration and profile of debt maturities
- v. Optimizing cash returns on investments.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(iii) Liquidity risk (continued)

Cash flows of financial liabilities

The Company's financial liabilities comprise long-term loans, payables and accruals. The table below shows the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to settle its liabilities. These amounts are due as follows:

<u>2023</u>					
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year or less</u>	<u>1-2 yrs</u>	<u>2-5 yrs</u>
	\$	\$	\$	\$	\$
Accounts payable	47,947,485	47,947,485	47,947,485	-	-
Long-term liabilities	215,600,000	228,367,234	12,767,234	215,600,000	-
Total financial liabilities	<u>263,547,486</u>	<u>276,314,719</u>	<u>60,714,719</u>	<u>215,600,000</u>	<u>-</u>

<u>2022</u>					
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year or less</u>	<u>1-2 yrs</u>	<u>2-5 yrs</u>
	\$	\$	\$	\$	\$
Accounts payable	19,504,388	19,504,388	19,504,388	-	-
Total financial liabilities	<u>19,504,388</u>	<u>19,504,388</u>	<u>19,504,388</u>	<u>-</u>	<u>-</u>

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes such as personnel, technology, and infrastructure, as well as from external factors, other than financial risks, such as those arising from legal, regulatory requirements and natural disasters.

The management of the Company is responsible for managing operational risk so as to avoid financial loss and damage to the Company's reputation while at the same time balancing the control procedures to allow innovation and creativity to facilitate the growth of the Company. Management is aware of the many operational risks, especially as it relates to the handling of gas and petroleum products and continues to implement the necessary strategies to mitigate the negative impact of the different risks associated with the operation of the Company.

(c) Reputational risk

The Company is engaged in a business that distributes gas and petroleum products to individuals and various industries. Its reputation is critical within the marketplace and the Company's management endeavors at all times to be ethical and adopts international best practices in the storage, manufacturing, and distribution of its products.

The Company ensures that the necessary safety, sanitary and quality standards are maintained and has regular audits from the government bodies responsible for the Company's portfolio of products including the government's Bureau of Standards, Public Health Department and Jamaica Customs Department. Also, as a supplier to several multinational and reputable local companies in the Western part of the island, the Company adheres and complies with their respective quality standards.

Rigorous quality checks are integrated into the Company's receiving and delivery processes of its products, and this reduces the level of accidents and customer complaints. Management considers the Company's reputation secured, as events that may damage the Company's reputation are immediately investigated and the appropriate action is taken in a manner that satisfies the complainant.

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21. RELATED PARTIES TRANSACTIONS AND BALANCES

The statement of comprehensive income did not include any material payments to related parties. Refer to notes 11 and 15 for details of balances relating to directors.

22. CONTINGENCIES AND COMMITMENTS

- (i) The Company's attorney reported in a letter relating to the year ended 31 December 2023 that as far as they are aware, there were no:
- instructions from the Company to represent them in any claims or possible claims
 - knowledge of any guarantees of indebtedness of others
 - trust monies held on behalf of the Company.
- (ii) Management is not aware of any commitments as at 31 December 2023, except those relating to long term borrowings which are detailed in Note 15 of the financial statements.

23. IMPACT OF COVID 19

As the COVID-19 pandemic wanes, management is confident that the Company will remain strong, and its long-term future is secure.

24. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

- i. Management indicated that except for the geo-political uncertainties relating to the current global warlike environment and possible logistic challenges of importation of petroleum finished products that may disrupt the Jamaican economy, they are not aware of any other uncertainties that require disclosure up to the date of approving and signing these financial statements.

Management is confident of the long-term sustainability of the Company as it continues to increase its customer base by introducing innovative methods of distributing its principal products LPG and gasoline to the marketplace, especially in the rural areas of Jamaica.

- ii. Subsequent to the year end, the Company third gas station was commissioned and opened during January 2024 at its Negril location.