

REGENCY PETROLEUM COMPANY LIMITED

UN-AUDITED FINANCIAL STATEMENTS

# 2ND QUARTERLY REPORT

FOR THE PERIOD ENDED **30 JUNE 2023**

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# Management Discussion and Analysis

Q2 2023 - April 1, 2023 - June 30, 2023

On behalf of the Board of Directors of Regency Petroleum Company Limited or "RPL" we present our second quarter report of the company since listing on the Jamaica Stock Exchange on December 15, 2022. This report covers the period April 1, 2023 - June 30, 2023, and conforms with International Financial Reporting Standards (IFRS) as prescribed by the International Accounting Standard Board (IASB).

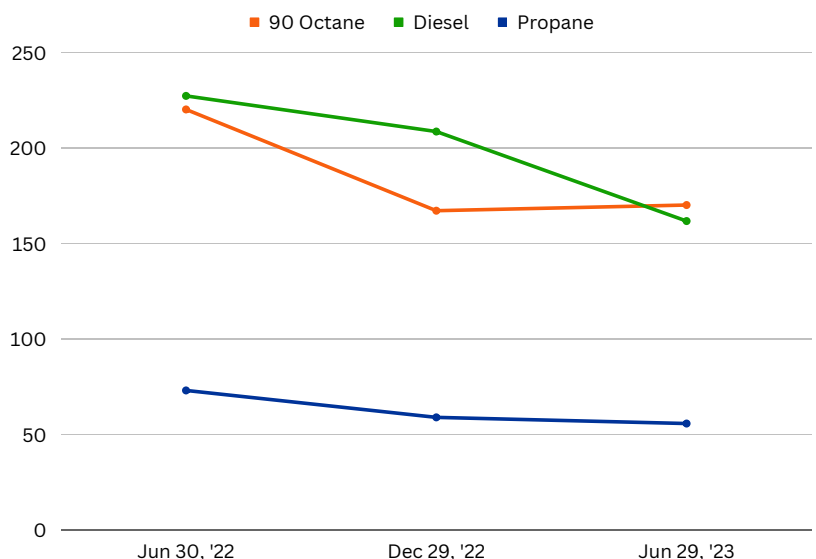
## HIGHLIGHTS



Regency generated \$179.79 million in sales for the period, a marginal decline from the \$179.89 million earned in the same period for 2022. The company benefited from higher fuel prices in 2022 which have moderated in 2023 as global commodity prices cooled following the initial shocks. In other words, the decrease in fuel prices have resulted in decreased revenues even though our sales volumes have increased.

The company's volume of fuel sold between the LPG and gasoline products improved by 51% relative to the 24% year over year decline in petroleum prices. This demonstrates that the company has remained laser focused on growing our brand and putting the capital invested into the business to work.

## PRODUCT PRICES (FROM REFINERY) YEAR OVER YEAR



\*Product prices taken from <https://www.petrojam.com/price/>

## HIGHLIGHTS

Q2 2023



**\$179.79M**

Sales



**+51%**

Total volume sold (QoQ)



**+389%**

Total LPG volume sold (QoQ)



**-7.6%**

Total motor fuel volume sold (QoQ)





## HIGHLIGHTS



The company does not control the market prices offered on petroleum products and instead directs its attention on volumes and gross profits.

Gross profit decreased by 20% from \$34 million to \$27.15 million as the company experienced higher trucking costs driven by inflation and increased business activity. The reduction in gross profit also meant gross margins decreased from 18.90% to 15.10%.

Total expenses were 98% higher at \$12.24 million as the company incurred additional fees related to being a publicly listed company such as Directors' fees, higher audit and accounting fees, along with higher bank charges and advertising and promotion, as business ramps up for our expansion. There was a reversal of a bad debt provision in the period as we resolved some accounts.

Finance costs increased from \$945,522 to \$9.66 million as we recorded a one-off \$8.97 million in costs related to the issuance of our secured bonds. As a result, net profit decreased from \$15.42 million to \$5.27 million, a 66% decline over the comparative period. However, due to our initial 100% tax remission during the first five years after listing, we were not subject to income tax. Due to the company having new ordinary shares related to our initial public offering (IPO), earnings per share declined from \$0.013 to \$0.004.

### Year-To-Date (January to June 2023)

For the first half of 2023, Regency grew revenue 9% from \$332.04 million to \$363.27 million as our moves to grow our market presence translated to higher volumes being sold during the period. However, the higher trucking costs and reduced prices saw gross profit decline 4% to \$59.66 million with gross profit margins moving from 18.77% to 16.42%.

Total expenses grew 114% from \$11.33 million to \$24.29 million which relates to our increased expenses as a listed entity alongside higher costs related to the development of different business segments. Regency also did not benefit from loyalty credits during the period compared to last year.

Due to the rise in finance costs from \$2.03 million to \$10.43 million, profit before taxation declined 51% from \$51.07 million to \$25.01 million. Net profit was 36% lower than the \$38.86 million in the prior period. Earnings per share decreased from \$0.034 to \$0.017 since there are additional shares in the current period due to our IPO.

## HIGHLIGHTS

Q2 2023



**\$27.15M**

Gross Profit



**\$0.004**

Earnings per Share



**15.10% YOY**

Gross Margin



**\$5.27M**

Net Profit



## BALANCE SHEET



Our asset base increased 162% from \$204.83 million to \$537.27 million as our non-current assets nearly tripled to \$354.64 million due to the two new service stations under property, plant and equipment along with the jump in current assets to \$182.63 million. We have been diligent with the management of our accounts receivables from our clients. We also had \$83.43 million as a bond receivable from the issuance of tranche A of our recently issued bond. The company's cash position was \$13.33 million at the end of the second quarter as the company continued its investment in the new locations and purchase of larger quantities of petroleum in the period.

Total liabilities increased 32% from \$93.62 million to \$123.44 million as the company accounted for the new \$92.40 million bond related to RPL's future service station. Current liabilities decreased 62% from \$58.68 million to \$24.68 million. Shareholders equity grew 272% to \$413.84 million as we benefited from our December IPO and increased our retained earnings balance.



### Service Station Update

We expected the service stations in Paradise Pen and Negril, Westmoreland to have been open by the end of the second quarter based on available information we had at the time. However, there were additional delays related to the delivery of final components for the locations and the passing of the main contractor for one of the projects. While we cannot control some delays related to processing of equipment and events with contractors, we must apologize to our shareholders who were expecting the stations to have started operations at the beginning of the third quarter.

We were able to find a new contractor for one of the stations and will host the opening ceremony for our second service station at Paradise Pen on August 16, 2023. We are working overtime to ensure that the Negril service station is completed within the next eight weeks. We are being strict on meeting these new timelines as we have a commitment to our shareholders, customers and other stakeholders to deliver these projects which will add significant value to the market.



## OUTLOOK



Our financial advisor GK Capital Management Limited arranged the issuance of a US\$1.40 million private placement in the form of secured notes due by 2025. The first tranche of US\$600,000 was issued on June 30 and the second tranche of US\$800,000 to be drawn down by September 29. This new capital will go towards the construction of a new service station on Spanish Town Road, St. Andrew which will be our first station outside of Cornwall County.

After the quarter, we announced our partnership with JusGas Distributors Limited who will be the primary distributor of our bulk LPG products in the corporate area of Kingston & St. Andrew. We are excited about this partnership as we will get the opportunity to build new relationships with businesses in the KSA region which will be a critical space for growth in the future.

RPL remaining debt free prior to the quarter end has allowed us to take on new opportunities that will begin to fully take shape over the next year. Our current focus is on growing our service station business while building our bulk LPG segment to deepen our reach in the Jamaican market. We are being deliberate about how we expand the retail segment of our LPG business with all profits reinvested to fuel the new business that will be gained going forward. This means that any moves within this segment will be carefully planned before any possible major capital expenditure.

Despite the equities market seeing a tumultuous first half, RPL's stock price increased from \$2.31 to \$2.76 during the second quarter with a new all-time high of \$3.00 being achieved on May 18. Our market capitalization at the end of June was \$3.96 billion with more than 7,500 shareholders.

We'd like to thank our numerous shareholders, customers and other stakeholders for giving us the opportunity to play our part in Jamaica's economic growth and development. We will not take the confidence vested in us for granted and seek to leverage all possible avenues to grow shareholder capital and give our final consumers a competitively priced product that gives value for money.

*Andrew Williams*

FOUNDER & CEO  
REGENCY PETROLEUM COMPANY LIMITED



**TOP 10 SHAREHOLDERS**  
**30 JUNE 2023**

#	Name	# of Shares	% of Issued Shares
1	Andrew Williams	1,148,629,416	80%
2	GK Investments Limited	110,319,278	7.683%
3	Glen Sabul	24,650,000	1.717%
4	Donique Gayle	14,161,000	0.986%
5	Tashua Brown-Williams	10,000,000	0.697%
6	QWI Investments Limited	5,000,000	0.35%
6	Tatiana Answer	5,000,000	0.35%
7	Domonick Ffrench	3,671,173	0.278%
8	Jerry Grant	2,661,771	0.183%
9	Colin Steele	2,350,100	0.16%
10	Claudine Murphy	2,171,540	0.16%
		<b>1,328,614,278</b>	<b>92.5%</b>

**TOTAL ISSUED SHARES**

**1,435,786,770**



**SHAREHOLDINGS OF DIRECTORS AND SENIOR MANAGERS**  
**30 JUNE 2023**

Names	Direct	Connected Party	Total
Andrew Williams	1,148,629,416	-	1,148,629,416
Dr. Andre Foote	2,000,000	-	2,000,000
Radcliff Knibbs	1,100,000	-	1,100,000
Edgar Bennett	-	-	-
Andrew Cocking	500,000	-	500,000
<b>Senior Managers</b>			
Jerry Grant	2,300,000	361,771	2,661,771
Lancelot Anderson	-	1,440,000	1,440,000
Dilton Pike	-	-	-
<b>Company Secretary</b>			
Janice Grant-Taffe	-	500,000	500,000



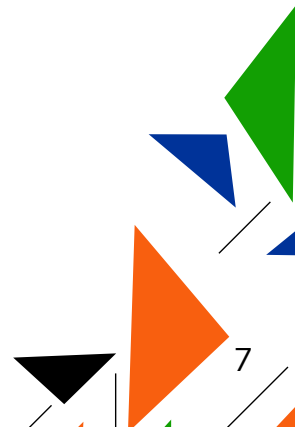




Regency Petroleum Company Limited  
Statement of Comprehensive Income  
For the Six (6) Months Ended 30 June 2023 (Q2)

Note	<u>Unaudited</u> <u>2<sup>nd</sup> Quarter 3</u> <u>Months</u> <u>Ended June</u> <u>2023</u>	<u>Unaudited 2<sup>nd</sup></u> <u>Quarter 3</u> <u>Months Ended</u> <u>June 2022</u>	<u>Unaudited</u> <u>2<sup>nd</sup> Quarter</u> <u>6 Months</u> <u>Ended June</u> <u>2023</u>	<u>Unaudited</u> <u>2<sup>nd</sup> Quarter</u> <u>6 Months</u> <u>Ended June</u> <u>2022</u>	<u>Audited</u> <u>Year Ended</u> <u>December</u> <u>2022</u>
			\$	\$	\$
<b>Operating Revenue</b>	179,789,505	179,887,923	363,273,138	332,044,779	681,143,499
Cost of sales: direct expenses	152,636,406	145,888,520	303,617,802	269,716,514	568,269,342
<b>Gross Profit</b>	27,153,099	33,999,403	59,655,336	62,328,265	112,874,157
<b>Other Operating Income</b>					
Loyalty credits	-	661,666	-	2,013,230	4,736,650
Interest & other income	23,380	90,001	69,387	94,001	111,485
	27,176,479	34,751,070	59,724,723	64,435,496	117,722,292
<b>Less operating expenses:</b>					
Administrative	12,056,121	6,173,460	24,014,889	11,324,920	34,423,608
Selling & distribution	188,384	-	274,138	7,528	128,441
	12,244,505	6,173,460	24,289,027	11,332,448	34,552,049
<b>Profit before finance costs</b>	14,931,974	28,577,610	35,435,696	53,103,048	83,170,243
Finance costs	(9,663,152)	(945,522)	(10,428,093)	(2,033,259)	(10,334,226)
<b>Profit before taxation</b>	5,268,822	27,632,088	25,007,603	51,069,789	72,836,017
Taxation	-	(12,213,618)	-	(12,213,618)	(16,508,484)
<b>Profit being total comprehensive income for the year</b>	5,268,822	15,418,470	25,007,603	38,856,171	56,327,533

Earnings per Share	0.004	0.013	0.017	0.034	0.049
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Regency Petroleum Company Limited  
Statement of Financial Position  
30 June 2023

	<u>Note</u>	<u>Unaudited</u> <u>2<sup>nd</sup> Quarter</u> <u>6 Months</u> <u>Ended June</u> <u>2023</u> <u>\$</u>	<u>Unaudited</u> <u>2<sup>nd</sup> Quarter</u> <u>6 Months</u> <u>Ended June</u> <u>2022</u> <u>\$</u>	<u>Audited</u> <u>Year Ended</u> <u>December</u> <u>2022</u> <u>\$</u>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant, and equipment	2	348,052,135	134,856,724	259,191,495
Right of use asset		6,588,679	-	6,951,359
<b>Current assets</b>				
Inventories		9,921,529	4,093,406	4,108,305
Receivables		130,574,218	47,118,844	35,893,686
Due from related parties		28,194,187	16,561,384	30,461,384
Director's current account		615,167	233,951	602,167
Cash and cash equivalents		13,326,961	1,965,864	94,669,703
		<u>182,632,062</u>	<u>69,973,449</u>	<u>165,735,245</u>
<b>Current liabilities</b>				
Payables		12,252,232	25,239,767	19,504,388
Taxation payable		11,958,484	33,118,775	16,508,484
Current portion of long-term loan		-	316,665	-
Current portion-lease liability		464,733	-	437,738
		<u>24,675,449</u>	<u>58,675,207</u>	<u>36,450,610</u>
<b>Net current assets</b>		<u>157,956,613</u>	<u>11,298,242</u>	<u>129,284,635</u>
<b>Total assets less current liabilities</b>		<u>512,597,427</u>	<u>146,154,966</u>	<u>395,427,489</u>
<b>Equity</b>				
Issued capital		260,152,400	8,000	260,152,400
Retained earnings		153,682,830	111,203,865	128,675,227
		<u>413,835,230</u>	<u>111,211,865</u>	<u>388,827,627</u>
<b>Non-current liabilities:</b>				
Lease liability		6,362,197	-	6,599,862
Long term borrowings		92,400,000	34,943,101	-
Directors' loans		-	-	-
<b>Total equity and non-current liabilities</b>		<u>512,597,427</u>	<u>146,154,966</u>	<u>395,427,489</u>

Approved for issue by the Board of Directors on July 25, 2023 and signed on its behalf by:

Andrew W.L. Williams - Chief Executive Officer

Dr. Andre Foote - Chairman



Regency Petroleum Company Limited  
Statement of Cash Flows  
For the Six (6) Months ended 30 June 2023

Note	<u>Unaudited</u> <u>2<sup>nd</sup> Quarter</u> <u>6 Months</u> <u>Ended June</u> <u>2023</u> \$	<u>Unaudited</u> <u>2<sup>nd</sup> Quarter</u> <u>6 Months</u> <u>Ended June</u> <u>2022</u> \$	<u>Audited</u> <u>Year Ended</u> <u>December</u> <u>2022</u> \$
<b>Cash flows from operating activities</b>			
Net profit	25,007,603	38,856,171	56,327,533
<b>Adjustment for:</b>			
Depreciation	7,505,723	6,224,901	14,987,985
Depreciation- right of use	362,680	-	302,233
Operating cash flows before movements in working capital	32,876,006	45,081,072	71,617,751
<b>Changes in operating assets and liabilities:</b>			
Inventories	(5,813,224)	(478,325)	18,829,239
Receivables	(94,680,532)	(14,072,375)	(22,169,680)
Payables	(7,252,157)	4,638,859	(1,096,520)
Related party balances	2,267,197	(1,990,000)	(15,890,000)
Taxation	(4,550,000)	12,213,618	(4,396,673)
Director's current account	(13,000)	4,743,482	4,375,266
	(110,041,716)	5,055,259	(20,348,368)
Net cash flow provided by operating activities	(77,165,710)	50,136,331	51,269,383
<b>Cash flows from investing activities:</b>			
Purchase of property, plant & equip.	(106,104,965)	(55,889,100)	(188,986,955)
Asset <u>reclassified</u>	9,738,602	-	-
Finance lease-rights of use	-	-	(7,253,592)
Net cash flow used by investing activities	(96,366,363)	(55,889,100)	(196,240,547)
<b>Cash flows from financing activities</b>			
Directors' loan repaid	-	(1,939,993)	(1,939,993)
Issue of shares, net of transaction costs	-	-	260,144,400
Finance lease	-	-	7,253,592
Finance lease-repaid	(210,669)	-	(215,992)
Loan proceeds received	92,400,000	8,400,000	-
Long term loans repaid	-	(100,324)	(26,960,000)
Net cash flow provided by/(used in) financing activities	92,189,331	6,359,773	238,282,007
Net increase in cash and cash equivalents	(81,342,742)	607,004	93,310,844
Cash resources at the beginning of the year	94,669,703	1,358,859	1,358,859
Cash resources at the end of period	13,326,961	1,965,863	94,669,703



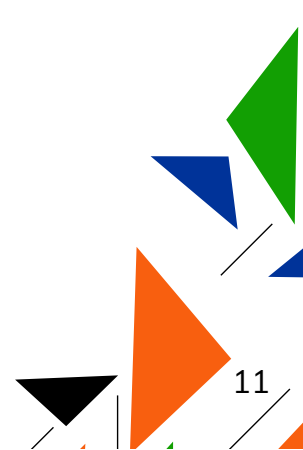
## 1. EXPENSES BY NATURE

	3 months to June 2023	3 months to June 2022	6 months to June 2023	6 months to June 2022	Audited Year Ended December 2022
	\$	\$	\$	\$	\$
<b>Selling &amp; distribution:</b>					
Commission	188,384	-	274,138	7,528	128,441
	<u>188,384</u>	<u>-</u>	<u>274,138</u>	<u>7,528</u>	<u>128,441</u>
<b>Administrative:</b>					
Depreciation	3,752,861	3,112,450	7,505,723	6,224,901	14,987,985
Depreciation- right of use assets	181,340	-	362,680	-	302,233
Audit and accounting fees	1,750,000	570,000	3,430,000	660,000	3,355,000
Legal & professional	1,407,905	-	2,982,905	-	-
Repairs and maintenance	536,083	439,153	1,152,286	778,747	1,516,712
Motor vehicle expense	655,765	-	655,765	-	649,132
Staff costs	418,829	263,004	936,994	526,009	1,414,578
Telephone	-	3,604	-	3,604	34,677
Advertising & promotion	1,456,739	416,500	2,090,045	416,500	1,404,070
Travel and accommodation	50,000	-	120,000	-	-
Office supplies and stationery expense	50,933	44,900	50,933	128,515	187,711
Electricity	217,538	173,754	479,774	309,110	717,208
Insurance	3,500	41,939	14,459	71,278	377,253
Interest & penalties	-	-	-	-	2,459,334
License, permits and other fees	25,000	11,500	25,000	43,000	43,000
Directors' fees etc.	864,480	-	864,480	-	310,000
Rental	-	180,000	-	360,000	420,000
Contracted worker	825,000	825,000	1,650,000	1,650,000	3,213,000
Bad debt expense	(950,365)	-	(950,365)	-	2,341,081
Donation	124,000	80,000	1,279,000	80,000	121,400
Other expenses	686,513	11,656	1,365,210	73,256	569,234
	<u>12,056,121</u>	<u>6,173,460</u>	<u>24,014,889</u>	<u>11,324,920</u>	<u>34,423,608</u>
<b>Finance Costs:</b>					
Interest Expenses	133,648	578,284	269,331	1,298,754	9,186,965
Bank Charges	559,312	367,238	1,188,570	734,505	1,147,261
Bond Issue Costs	8,970,192	-	8,970,192	-	-
	<u>9,663,152</u>	<u>945,522</u>	<u>10,428,093</u>	<u>2,033,259</u>	<u>10,334,226</u>
	<u>21,907,657</u>	<u>7,118,982</u>	<u>34,717,120</u>	<u>13,365,707</u>	<u>44,886,275</u>



Regency Petroleum Company Limited  
Statement of Changes in Equity  
For the Six (6) Months ended 30 June 2023

	<u>Number of Shares</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Balances: 31 December 2020</b>	8,000	8,000	13,399,914	13,407,914
Profit for the year	-	-	58,947,780	58,947,780
<b>Balances: 31 December 2021</b>	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
<b>Balances: 31 December 2022</b>	1,435,786,770	260,152,400	128,675,227	388,827,627
Profit for the year	-	-	25,007,603	25,007,603
<b>Balances: 30 June 2023</b>	1,435,786,770	260,152,400	153,682,830	413,835,230





## 2. PROPERTY, PLANT AND EQUIPMENT

	2023							
	WIP	Motor Vehicle	Filing Plant & Site Office	Storage Tanks	Gas Cylinders	Land	Furniture, Fixture & Equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At cost -</b>								
31 December 2022	123,248,187	4,000,000	28,048,426	19,283,647	104,375,118	12,101,500	2,846,168	23,903,046
Additions	105,457,256	-	-	258,000	-	-	105,600	105,820,856
Reclassification	(9,738,602)	-	-	-	-	-	-	(9,738,602)
<b>30 June 2023</b>	<b>218,966,841</b>	<b>4,000,000</b>	<b>28,048,426</b>	<b>19,541,647</b>	<b>104,375,118</b>	<b>12,101,500</b>	<b>2,951,768</b>	<b>389,985,300</b>
<b>Depreciation -</b>								
31 December 2022	-	400,000	10,806,371	2,536,843	20,134,621	-	833,717	34,711,552
Charge for the period	-	200,000	1,402,421	536,957	5,218,756	-	147,588	7,505,722
<b>30 June 2023</b>	<b>-</b>	<b>600,000</b>	<b>12,208,792</b>	<b>3,073,800</b>	<b>25,353,377</b>	<b>-</b>	<b>981,305</b>	<b>42,217,274</b>
<b>NET BOOK VALUE:</b>								
<b>30 June 2023</b>	<b>218,966,841</b>	<b>3,400,000</b>	<b>15,839,034</b>	<b>16,467,847</b>	<b>79,021,741</b>	<b>12,101,500</b>	<b>1,970,463</b>	<b>347,768,026</b>
<b>31 December 2022</b>	<b>123,248,187</b>	<b>3,600,000</b>	<b>17,242,055</b>	<b>16,746,804</b>	<b>84,240,497</b>	<b>12,101,500</b>	<b>2,012,451</b>	<b>259,191,494</b>

# OUR COMMITMENT TO OUR SHAREHOLDERS

As we seek to remain transparent with our shareholders as a now publicly listed company, Regency Petroleum Limited (RPL) is committed to hosting quarterly Earnings Calls for our 2023 financial year.

These calls will be hosted by Learn Grow Invest Limited and will facilitate regular touchpoints between our shareholders and the leadership of RPL.

Stay tuned to our social media pages, website and the Jamaica Stock Exchange for the details of these calls throughout the year.

*Thank you*



**Regency Petroleum Ltd.**



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