



Tropical Battery Company Limited

Interim Report Three Months (Unaudited)

1st Quarter Period Ended
December 31, 2020

Interim Report to our Shareholders

Overview

We have completed our first full quarter as a publicly listed entity. The Team is healthy, continues to be motivated and quarterly net profits were higher year over year. Regrettably, there were a lot of inventory delays from our major battery suppliers which created inventory shortages and slowed top line sales. This is a global battery supply problem and customers across the world have experienced similar delays in receiving shipments.

We have put additional supply chain solutions in place to mitigate this problem moving forward.

Financial Highlights

Net profit after tax was \$19 million, beating last year's adjusted Q1 after-tax net profits of \$15 million or up by more than 26.2%. Revenue came in at \$451 million or 9.5% below last year Q1's \$498 million, because of supplier shipment delays. Our gross profit percentage came in at 30.9%, but above last year's 30.1%. Expenses were down 6.4% to \$104 versus \$110 million last year.

Total Equity was up 4.4% moving from

\$735 million at the end of fiscal year September 30, 2020 to \$754 million as of December 31, 2020. The difference was attributed to increases in retained earnings.

Total Assets increased 9.0% to \$1.58 billion or by \$130 million. Driven mainly by increases in inventory received in the last two weeks for FY Q1 2021. Total liabilities moved up \$111 million from \$712 million as at the September 30, 2020 to \$824 million as that December 31, 2020. This move reflects an increase in our payables as we ordered more goods to help with recent delays.

2020 Audit

There was a 15 day delay in completing our audited financial statements, which should've been submitted December 30, 2020. These (now posted on Jan. 14, 2021) audited numbers showed differences in the after-tax profit stated in the Q4 management numbers, released November 15, 2020. Therefore, for comparative purposes we had to adjust last year's numbers to take into account these changes. The material changes are as follows:

- The Company was carrying a \$25 million asset relating to tax losses that could be offset against future tax liabilities. As a result of the listing of the Company on the Jamaica Stock Exchange Junior Market and the related entitlement to a remission of income taxes for the subsequent 10 years, this asset was written off through the income statement.
- Interest expense associated with interest bearing short and long term debt increased.
- The implementation of IFRS 16 had the effect of increasing interest and depreciation expenses and reducing rent expense.
- Covid-19 had an adverse impact on operating expenses as well as the rates used to calculate the provisions for estimated credit losses related to trade receivables.
- The number of stock units outstanding were increased as a result of the IPO.

Outlook

We are making good progress with our pipeline of potential partnerships and strategic acquisitions in Jamaica and across the Caribbean region. We will have one or two to announce later this year. Additionally, demand continues to be strong for the brands that we carry and our new Ferry retail store continues to perform above expectations.

We have materially solved our supplier delay problems, and feel confident that Q2 and the second half of this fiscal year will be substantially better than this first quarter.

Sincerely,



Alexander Melville
Managing Director

WE'LL
COME
TO YOU



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Interim Report to our Shareholders

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Unaudited Statement of Financial Position December 31, 2020

| | Notes | Q1 DEC. 31, 2020 \$ | Audited SEP. 30, 2020 \$ |
|--------------------------------------|-----------|---------------------------|--------------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalent | 3 | 164,455,753 | 262,502,567 |
| Accounts receivables | 4 | 295,629,691 | 299,986,594 |
| Due from related companies | | 180,885,333 | 154,049,214 |
| Due from parent company | | 23,385,227 | 23,385,227 |
| Inventories | 5 | 433,665,685 | 299,609,370 |
| | | <u>1,098,021,689</u> | <u>1,039,532,972</u> |
| CURRENT LIABILITIES | | | |
| Accounts payable | 6 | 222,507,735 | 115,511,333 |
| Short-term Loan | 9 | 100,000,000 | 100,000,000 |
| Current Portion of lease liabilities | | 14,415,231 | 14,415,231 |
| Taxation payable | | 5,860,229 | 5,931,345 |
| | | <u>342,783,195</u> | <u>235,857,909</u> |
| NET CURRENT ASSETS | | 755,238,494 | 803,675,063 |
| NON-CURRENT ASSETS | | | |
| Intangible assets | | 38,133,005 | 38,133,005 |
| Investments | 7 | 72,570,553 | - |
| Property, plant & equipment | | 166,251,621 | 161,908,088 |
| Right of use assets | | 167,252,244 | 172,400,723 |
| Employee Benefits | 8 | 35,517,000 | 35,517,000 |
| | | <u>1,234,962,917</u> | <u>1,211,633,879</u> |
| Represented by: | | | |
| SHAREHOLDER'S NET EQUITY | | | |
| Share Capital | 10 | 156,675,300 | 156,675,300 |
| Contributed capital | | 459,207,861 | 459,207,861 |
| Accumulated profit | | 138,203,915 | 119,162,741 |
| | | <u>754,087,076</u> | <u>735,045,902</u> |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 158,125,794 | 161,423,393 |
| Long-term loans | 12(a),(b) | 315,254,009 | 307,668,546 |
| Deferred tax liability | | 7,496,038 | 7,496,038 |
| | | <u>480,875,841</u> | <u>476,587,977</u> |
| | | <u>1,234,962,917</u> | <u>1,211,633,879</u> |

These financial statements were approved by the Board of Directors and signed on its behalf by:

 Chairman

 Managing Directors

Unaudited Statement of Comprehensive Income 1st Quarter Ended December 31, 2020

| | Q1 (3 MTHS.) DEC. 31, 2020 | Q1 (3 MTHS.) DEC. 31, 2019 |
|--|-------------------------------|-------------------------------|
| Gross operating revenue | 450,989,352 | 498,239,009 |
| Cost of Goods Sold | <u>(314,699,633)</u> | <u>(349,034,490)</u> |
| Gross Profit on Sales | 136,289,719 | 149,204,519 |
| Other operating Income | 3,015,923 | 616,935 |
| Administration, marketing and selling expenses | <u>(103,682,926)</u> | <u>(110,735,465)</u> |
| Profit before depreciation, net financial costs and taxation | 35,622,716 | 39,085,989 |
| Depreciation | <u>(8,998,479)</u> | <u>(6,825,000)</u> |
| Profit before net financial costs and taxation | <u>26,624,237</u> | <u>32,260,989</u> |
| Finance costs | <u>(13,555,934)</u> | <u>(9,361,298)</u> |
| Finance income | 5,972,871 | - |
| Net finance costs | <u>(7,583,063)</u> | <u>(9,361,298)</u> |
| Profit before taxation | 19,041,174 | 22,899,691 |
| Taxation | - | <u>(7,809,944)</u> |
| Profit for the quarter | <u>19,041,174</u> | <u>15,089,747</u> |
| Earnings per stock unit | \$ 0.022 | \$ 0.017 |

Unaudited Statement of Changes in Shareholders' Net Equity 1st Quarter ended 31 December 2020

| | Share capital | Capital contribution | Accumulated profit | Total |
|--|--------------------|-------------------------|-----------------------|--------------------|
| Balance as at September 30, 2018 | 370,000 | 459,207,861 | 36,839,996 | 496,417,857 |
| Profit for the Year | | - | 62,897,701 | 62,897,701 |
| Re-measurement loss on employee benefit asset, net of taxation | | | (12,237,750) | 17,877,750 |
| Total comprehensive income | | - | 50,659,951 | 50,659,951 |
| Balance as at September 30, 2019 | <u>370,000</u> | <u>459,207,861</u> | <u>87,499,947</u> | <u>547,077,808</u> |
| Issue of shares | 156,305,300 | | | 156,305,300 |
| Profit for the year | | | 29,336,294 | 29,336,294 |
| Re-measurement loss on employee benefit asset, net of taxation | | | 2,326,500 | 2,326,500 |
| Total comprehensive income | - | - | 31,662,794 | 31,662,794 |
| Balance as at September 30, 2020 | <u>156,305,300</u> | <u>459,207,861</u> | <u>119,162,741</u> | <u>735,045,902</u> |
| Profit for the quarter | | | 19,041,174 | 19,041,174 |
| Total comprehensive income | - | - | 19,041,174 | 19,041,174 |
| Balance as at December 31, 2020 | <u>156,305,300</u> | <u>459,207,861</u> | <u>138,203,915</u> | <u>754,087,076</u> |

The accompanying notes form an integral part of the interim financial statements

Statement of Cash Flows 1st Quarter Ended December 31, 2020

| | Note | Q1 (3 MTHS.) DEC. 31, 2020 | Audited (12 MTHS.) SEP. 30, 2020 |
|---|------|-------------------------------|-------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit for the quarter/year | | 19,041,174 | 29,336,294 |
| Adjustment to reconcile net profit for the quarter/year to net cash used by operating activities: | | | |
| Employee benefits | | - | 9,263,000 |
| Depreciation | | 8,998,479 | 33,350,517 |
| Taxation expenses | | - | 31,239,774 |
| Interest on loans | | 7,489,754 | 26,111,669 |
| Interest on lease liabilities | | 3,920,259 | 7,010,725 |
| Amortisation of debt issuance costs | | - | 2,022,790 |
| Interest income | | (2,570,553) | (2,374,833) |
| Loss on disposal of property, plant and equipment | | - | 36,046 |
| | | <u>36,879,113</u> | <u>135,995,982</u> |
| Changes in working capital: | | | |
| Accounts receivable | | 4,356,903 | (17,756,957) |
| Investments | | (72,570,553) | - |
| Due from related companies | | (26,836,119) | 118,983,218 |
| Inventory | | (134,056,315) | 150,524,088 |
| Payables | | 106,996,402 | (77,008,078) |
| Director's loan | | - | 2,163,107 |
| Cash (used)/generated by operations | | <u>(85,230,569)</u> | <u>312,901,360</u> |
| Interest received | | 2,570,553 | 2,374,833 |
| Interest paid | | (7,489,754) | (26,111,669) |
| Taxation | | (71,116) | (17,364,710) |
| Funds (used)/provided by operations | | <u>(90,220,886)</u> | <u>271,799,814</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Proceeds from the sale of property, plant and equipment | | - | 50,001 |
| Purchase of property, plant and equipment | | <u>(13,342,012)</u> | <u>(114,717,193)</u> |
| Net cash used by investing activities | | <u>(13,342,012)</u> | <u>(114,667,192)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Issue of shares | | - | 156,305,300 |
| Proceeds from short-term/long-term loan | | 7,585,463 | 100,000,000 |
| Payment of lease liabilities | | (7,217,858) | (14,174,189) |
| Repayment of Long-term loan | | 5,148,479 | (280,000,000) |
| Net cash used by financing activities | | <u>5,516,084</u> | <u>(37,868,889)</u> |
| Net increase in cash and cash equivalents | | (98,046,814) | 119,263,733 |
| Cash and cash equivalents at the beginning of the quarter/year | | 262,502,567 | 143,238,834 |
| Cash and cash equivalents at the end of the quarter/year | | <u>164,455,753</u> | <u>262,502,567</u> |
| Represented by: | | | |
| Cash and cash equivalents | 3 | <u>164,455,753</u> | <u>262,502,567</u> |

The accompanying notes form an integral part of the interim financial statements

Notes to the Financial Statements

1st Quarter Period Ended

December 31, 2020

Corporate structure and principal activities

The company is incorporated in Jamaica and its registered office is situated at 14 Ashenheim Road, Kingston 11, Jamaica. Up to September 30, 2015, the company was a wholly owned subsidiary of Melville Enterprises Limited, a company incorporated in Jamaica, which in turn is a subsidiary of Archer Caribbean Inc., a company incorporated in the British Virgin Islands.

Pursuant to a deed of amalgamation between various companies in the group, effective September 30, 2015, the company became a wholly-owned subsidiary of Dai Diverze (Jamaica) Limited, (parent company), a company incorporated in Jamaica, which in turn is a wholly owned subsidiary of Diverze Assets Inc., (ultimate parent company) a company incorporated in St. Lucia.

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on September 28, 2020. The principal activities of the company are the sale and distribution of auto batteries and accessories.

Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaica Companies Act.

(b) Basis of preparation:

These condensed interim financial statements have been prepared in accordance with accounting policies set out in note 4 to the audited financial statements for the year ended September 30, 2019, and have been consistently applied from period to period.

In the interim financial statements no provision were made for Employee Benefits, Deferred Tax and Leases - IFRS 16. Provision was made for Corporation tax which will be validated and recomputed once the 2020 audited financial statements are completed. The unaudited interim financial statements are prepared in accordance with IAS 34 "Interim Financial Statements"

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The financial statements are presented in Jamaica dollars (\$), which is the currency in which the company conducts the majority of its operations.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended September 30, 2020.

CASH and CASH EQUIVALENTS

| | Q1 YTD FY 2021 \$ | Audited 2020 \$ |
|-----------------------------------|-------------------------|-----------------------|
| Local current accounts | 126,306,874 | 224,686,094 |
| Foreign current & savings account | 10,578,764 | 10,383,841 |
| Short term investments | 27,570,115 | 27,432,632 |
| | <u>164,455,753</u> | <u>262,502,567</u> |

Notes to the Financial Statements 1st Quarter Ended December 31, 2020

4 RECEIVABLES & PREPAYMENTS

| | Q1 YTD FY 2021 \$ | Audited 30-Sep-20 \$ |
|-------------------------------|-------------------------|----------------------------|
| Trade Receivables | 236,908,029 | 241,264,932 |
| Less: Provision for bad debts | (16,591,693) | (16,591,693) |
| | <u>220,316,336</u> | <u>224,673,239</u> |
| Other Receivables | 75,313,355 | 75,313,355 |
| | <u>295,629,691</u> | <u>299,986,594</u> |

5 INVENTORIES

| | Q1 YTD FY 2021 \$ | Audited 30-Sep-20 \$ |
|-------------------------------------|-------------------------|----------------------------|
| Inventories | 238,970,906 | 238,187,979 |
| Inventories - Spent Battery (Scrap) | - | 684,225 |
| Goods in transit | 198,654,189 | 64,696,576 |
| | <u>437,625,095</u> | <u>303,568,780</u> |
| | <u>(3,959,410)</u> | <u>(3,959,410)</u> |
| | <u>433,665,685</u> | <u>299,609,370</u> |

Inventories comprising merchandise for resale have been valued by management at the lower of cost and net realizable value, using the first-in, first-out method

6 PAYABLES & ACCRUED CHARGES

| | Q1 YTD FY 2021 \$ | Audited 30-Sep-20 \$ |
|------------------------|-------------------------|----------------------------|
| Trade payables - (USD) | 190,954,947 | 100,043,023 |
| Other payables | 31,552,788 | 15,468,310 |
| | <u>222,507,735</u> | <u>115,511,333</u> |

7 INVESTMENT

| | Q1 YTD FY 2021 \$ | Audited 30-Sep-20 \$ |
|------------------------------|-------------------------|----------------------------|
| Capital Growth Fund | 10,145,397 | - |
| Stocks | 35,812,903 | - |
| BFL Note | 10,126,027 | - |
| Cash reserved - Derrimon APO | 15,785,977 | - |
| | <u>71,870,304</u> | <u>-</u> |

8 EMPLOYEE BENEFITS

| | Q1 YTD FY 2021 \$ | Audited 30-Sep-20 \$ |
|-------------------------------------|-------------------------|----------------------------|
| Present value of funded obligations | (179,160,000) | (179,160,000) |
| Fair value of plan assets | 214,677,000 | 214,677,000 |
| Recognized pension asset | <u>35,517,000</u> | <u>35,517,000</u> |

Notes to the Financial Statements 1st Quarter Ended December 31, 2020

9 SHORT-TERM LOAN

This represents a short-term loan facility from National Commercial Bank Jamaica Limited which attracts interest at the rate of 7.5% per annum. The facility is secured by a guarantee of certain directors, subordination of inter-company loans, first legal mortgage over certain properties held by a related party and a cross-corporate guarantee

10 SHARE CAPITAL

| | FY 2021 \$ | 30-Sep-20 \$ |
|---|--------------------|-----------------|
| Authorized: Unlimited ordinary shares of no par value | | |
| Issued and fully paid 1,300,000,000, ordinary shares of no par value | 162,935,000 | 370,000 |
| Less: Transactions costs of share issue | (6,259,700) | |
| | <u>156,675,300</u> | <u>370,000</u> |

11 REVENUES

Revenues represent the price of goods and services sold to third parties, excluding general consumption tax.

| | Q1 YTD FY 2021 \$ | Audited 30-Sep-20 \$ |
|----------------------------|-------------------------|----------------------------|
| Net Battery Sales | 388,784,055 | 442,081,692 |
| Net Tyre Sales | 6,477,806 | 2,891,229 |
| Total Accessories | 59,827,445 | 57,380,651 |
| Net Sales before discounts | <u>455,089,306</u> | <u>502,353,572</u> |
| Discounts on All Products | (4,099,955) | (4,114,563) |
| Net Sales | <u>450,989,351</u> | <u>498,239,009</u> |

12 LONG-TERM LOANS

- In April 2019, the company authorized the private placement of secured J\$ notes for an aggregate principal amount of \$300 million. These bonds attract interest at the rate of 7.5% per annum and they mature in April 2024
- The company has an unsecured loan from the ultimate parent company. This loan is interest-free and has no specified repayment date.



10 Largest Shareholders as at December 31, 2020

Ten Largest Shareholders

As at Dec 31, 2020

| # | Symbol | Shareholders 'Name | # Shares | % |
|------------------------------------|----------|--|---------------|--------|
| 1 | TROPICAL | DAI DIVERZE (JAMAICA) LIMITED | 975,000,000 | 75.0% |
| 2 | TROPICAL | NCB CAPITAL MARKETS (CAYMAN) LTD | 75,335,529 | 5.8% |
| 3 | TROPICAL | CONSCIOUS CAPITAL INC. | 40,000,000 | 3.1% |
| 4 | TROPICAL | TROPICAL BATTERY COMPANY LIMITED CONTRIBUTORY PENSION SCHEME | 20,035,000 | 1.5% |
| 5 | TROPICAL | NCB CAPITAL MARKETS LTD. A/C 2231 | 5,419,600 | 0.4% |
| 6 | TROPICAL | HERBERT L. HALL | 5,000,000 | 0.4% |
| 7 | TROPICAL | DANIEL MELVILLE | 5,000,000 | 0.4% |
| 8 | TROPICAL | GREGORY PATRICK CHUNG | 4,632,156 | 0.4% |
| 9 | TROPICAL | HAZEL TOMLINSON | 3,687,924 | 0.3% |
| 10 | TROPICAL | RADCLIFFE WAYNE MURRAY | 3,567,732 | 0.3% |
| Total of Ten Largest Shareholders: | | | 1,137,677,941 | 87.5% |
| All Other Shareholders: | | | 162,322,059 | 12.5% |
| Total Shares Issued: | | | 1,300,000,000 | 100.0% |

Shareholdings of Directors

As at Dec 31, 2020

| # | Symbol | Shareholders 'Name | # Shares Held Directly | # Shares Held though Connected Co. |
|---|----------|--------------------|------------------------|------------------------------------|
| 1 | TROPICAL | Marc Melville | - | 234,000,000 |
| 2 | TROPICAL | Alexander Melville | - | 196,000,000 |
| 3 | TROPICAL | Daniel Melville | 5,419,600 | 195,000,000 |
| 4 | TROPICAL | Ricardo Hutchinson | - | - |
| 5 | TROPICAL | Marc Ramsay | - | 1,500,000 |
| 6 | TROPICAL | Caryl Fenton | - | - |

Shareholdings of Executives

As at Dec 31, 2020

| # | Symbol | Shareholders 'Name | # Shares Held Directly | # Shares Held though Connected Co. |
|---|----------|--------------------|------------------------|------------------------------------|
| 1 | TROPICAL | Radcliffe Murray | 3,567,732 | - |
| 2 | TROPICAL | Reshando Mais | 300,000 | - |
| 3 | TROPICAL | Stacy-Ann Spence | 50,000 | - |
| 4 | TROPICAL | Kamesha Robinson | 907,924 | - |
| 5 | TROPICAL | Stanley Wilson | 120,000 | - |
| 6 | TROPICAL | Claude Christie | 50,000 | - |
| 7 | TROPICAL | O'rane Grey | 150,000 | - |
| 8 | TROPICAL | Sandra Russel | 620,000 | - |



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