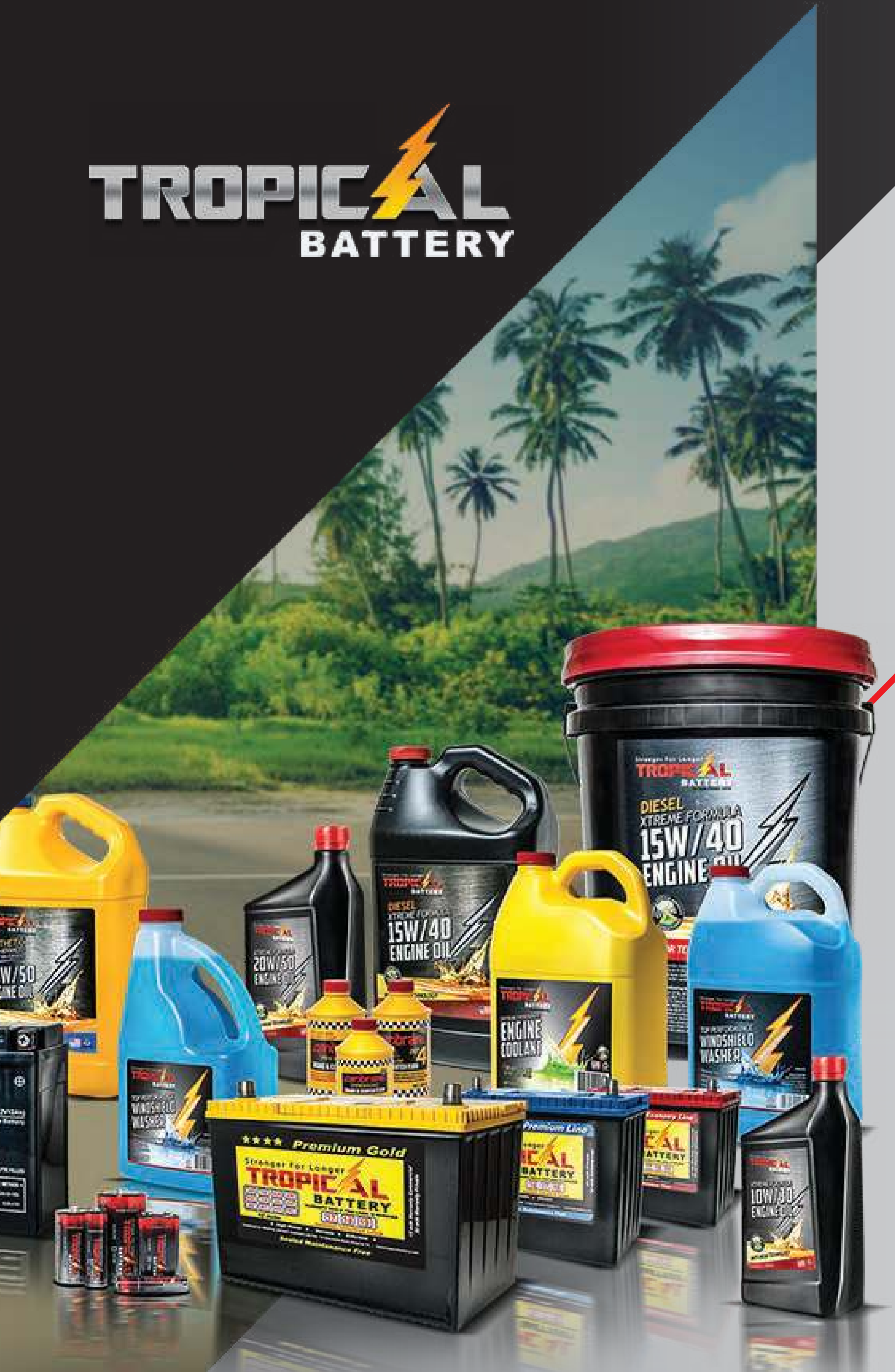
TROPICAL BATTERY



2021
ANNUAL REPORT


STRONGER
FOR LONGER
DIESEL
XTREME FORMULA
15W/40
ENGINE OIL
10W/30
ENGINE OIL
20W/50
ENGINE OIL
WINDSHIELD
WASHER
★★★★ Premium Gold
Stronger For Longer
TROPICAL
BATTERY
Sealed Maintenance Free
ENGINE
COOLANT
DEIONIZED
WATER
HIGH POWER
BRAKE
CLEANER
Trusted
Quality
SINCE 1950

WE'LL COME TO YOU

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Vision & Strength

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Our Unique Strengths
Core Values

Our Vision

Is to provide and promote the growth of safe, quality and clean-energy storage solutions across Jamaica and the Caribbean Region. We will do this by empowering our team through continual education on the environmental sustainability benefits for all.

Strengths

Tropical Battery has a distinguished history of providing the Jamaican market with world class service and renowned automotive consumer product brands. Only Tropical Battery offers Over 70 years of technical expertise and service in the energy storage field.
This household brand offers the widest range of brands and batteries across the island.

- Tropical Battery also carries the broadest range of warranties, prices and sizes, which allows us to continue to support our retailers and distributors by maintaining price integrity in the market.
- Great value has been realized in the mobile response service, that delivers batteries to customers within the corporate areas and our Branch vicinities.
- We are an environmentally conscious brand, and this has pushed us to be the largest exporter of spent batteries island wide.
- Now that the company is embracing cutting-edge technology, we have no doubt that it will continue to make further inroads into its target markets.

Trusted Quality
SINCE 1950

Our Core Values

1. Live with passion & purpose. 2. Embody exceptional service & safety. 3. Honesty & respect; will get us much further ahead. 4. Build meaningful relationships. 5. Explore, innovate & create. 6. Be humble, be grateful. 7. Commit to helping others & our communities. 8. Think positive; that's the only way to see opportunities. 9. Have fun; be happy in the present. 10. Embrace change; keep learning, growing & sharing.

Our Business

Company Overview

Tropical Battery is one of Jamaica's oldest and most trusted household Brands. We have primarily operated in the energy storage space for more than 70 years through the sale and distribution of batteries. So when you jump into your car, truck, boat, forklift, or on your bike, or just need to start your generator, we have a reliable energy storage product to meet your needs.

Tropical Battery's sales strategy focuses on solutions for energy storage; including renewable energy and other automotive service items. Some of these service items need to be replaced on a regular basis, typically every 3 to 18 months. Batteries are typically replaced between 1 to 10 years, depending on the industry application (automotive, renewable, etc.) and usage. Tyres, oils and other lubricants, have differing life expectancies.

We aim to provide our customers with an integrated "one - stop" solution for premium energy storage and automotive service items.

Tropical Battery has its headquarters in Kingston, Jamaica with distribution centres currently located in Kingston and Montego Bay, 5 Retail Stores (Ocho Rios, Mandeville, Montego Bay and 2 in Kingston) and approximately 1,000 resellers (Gas Stations, Auto Parts stores, etc.) to serve the Jamaican market.

Tropical Battery was founded in 1950 by Tex Williams, an American businessman. In 1967 the Company was purchased by John Melville and it remains controlled by the Melville family today. Tropical Battery originally started as a manufacturer of lead acid storage batteries. In the early 1990's, Tropical Battery changed its business model from being a manufacturer to a major battery distribution company.

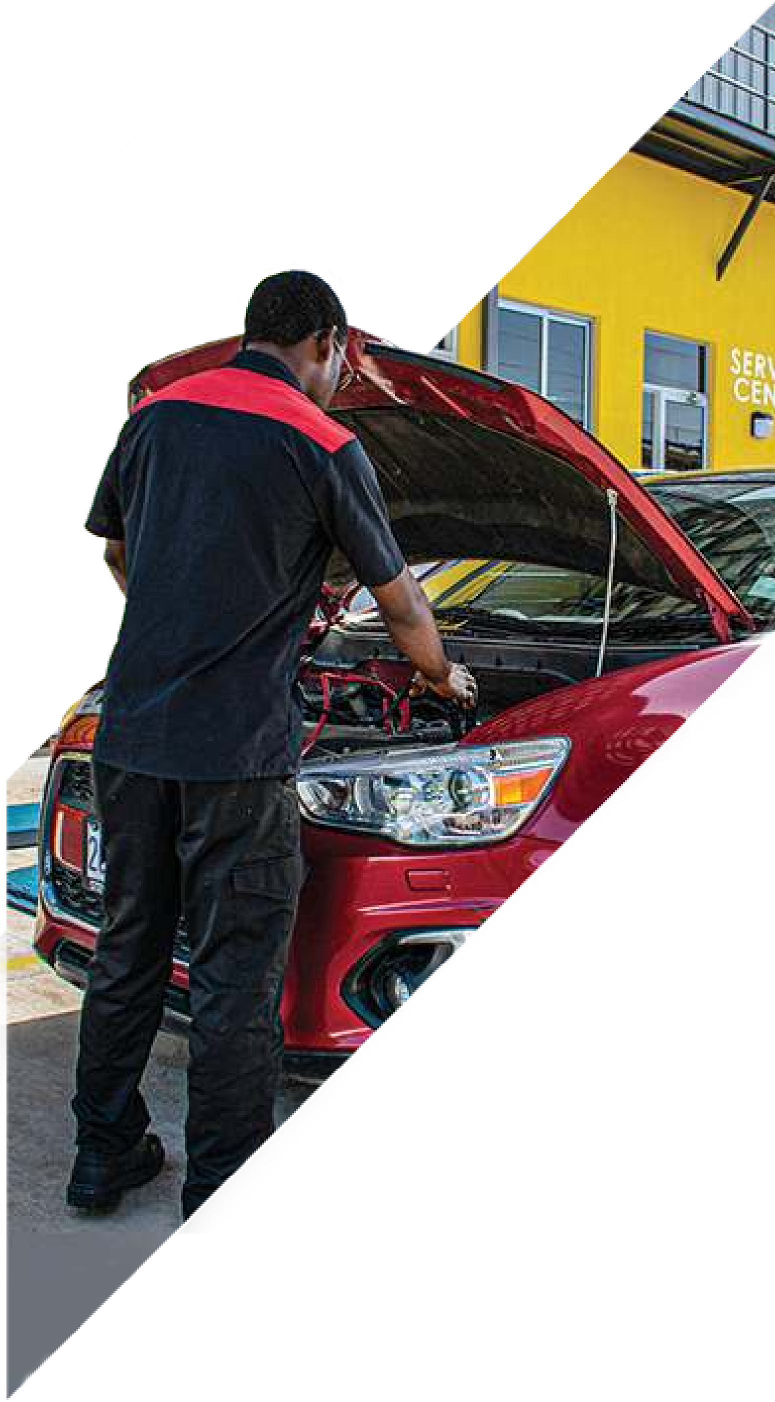
Today, the Company's core business continues to be sales of automotive batteries, but is now complimented by the distribution of several local and world-renowned automotive consumer product brands, including the following:

1. CARIBRAKE BRAKE FLUIDS - The Directors consider that the Caribrake brand, which is owned and distributed by Tropical Battery, is the market leader in Jamaica.

2. OILS AND LUBRICANTS - The Company distributes recognizable foreign brands and its own Tropical Battery brand of Oil as well, which is manufactured to the highest quality and made specifically for warmer climates like Jamaica and most of the Caribbean.

3. OTHER NECESSARY ITEMS ('SERVICE ITEMS') - Tropical Battery's own branded coolant, windscreen wash and de-ionized water, tyres, Versachem and other additives, automotive cleaning supplies, etc.

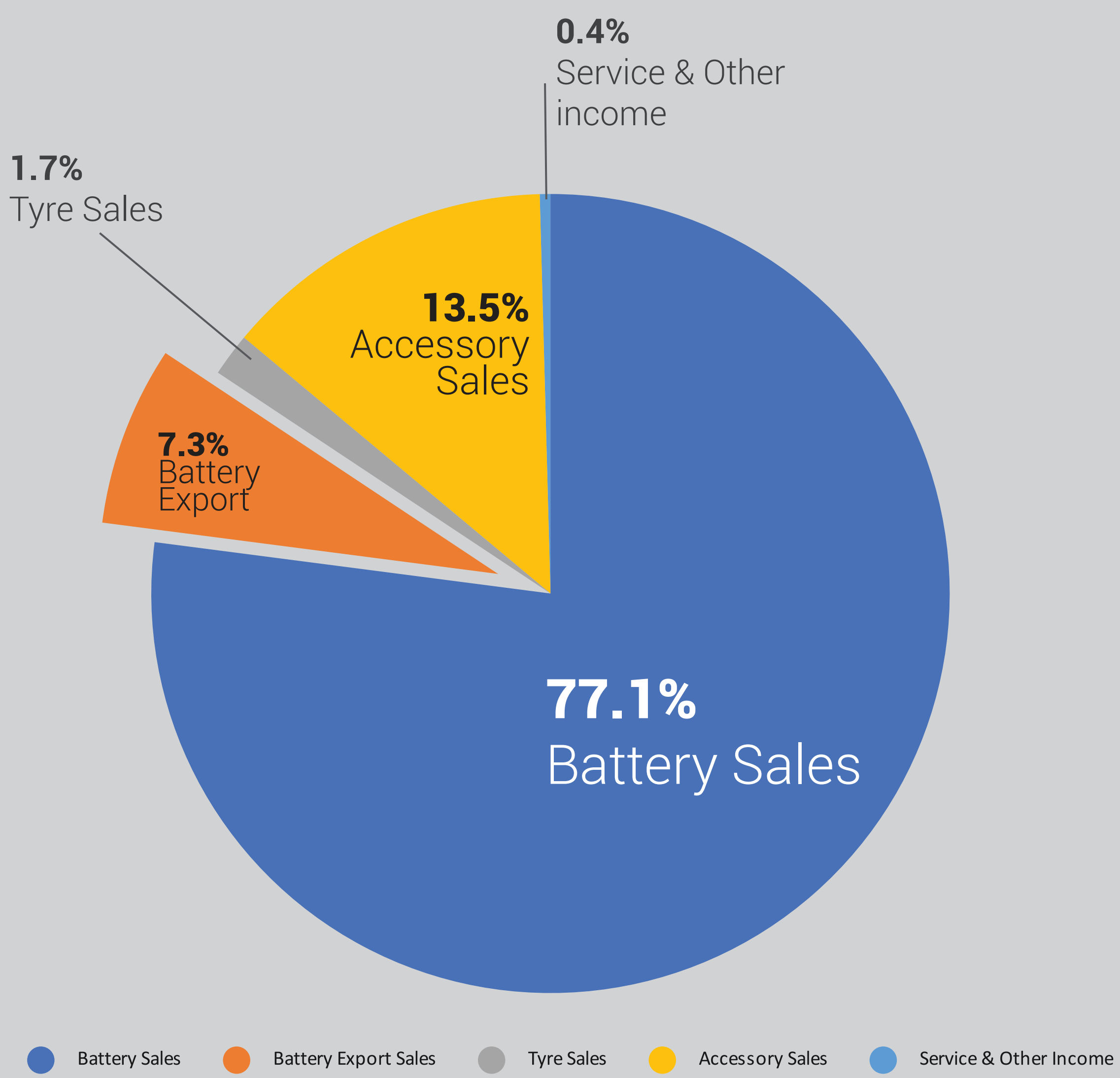
While retail sales and distribution of batteries represent the majority of its overall sales, Tropical Battery also exports more than 1 million metric tons of spent batteries each year, earning US dollars as well as cleaning up the environment.



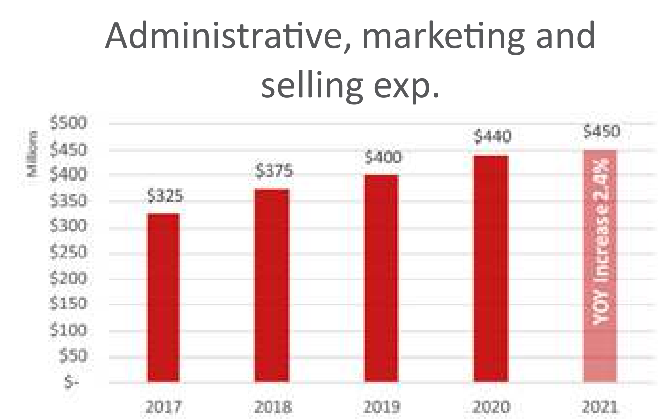
Revenue Composition

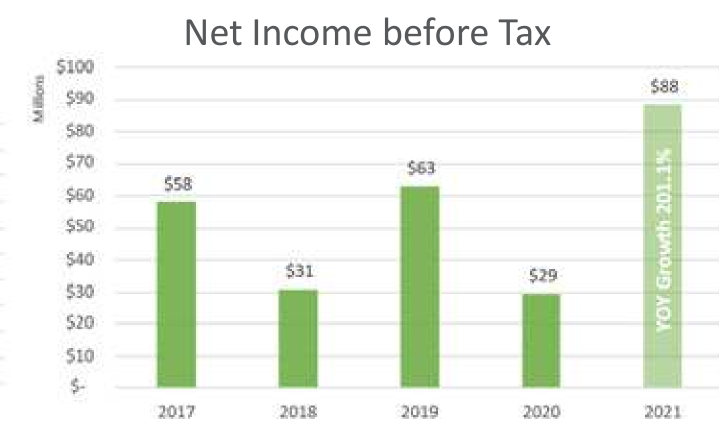
For the fiscal year ending September 30, 2021

Battery Sales	1,538,800,455	77.1%
Battery Export Sales	145,207,428	7.3%
Tyre Sales	34,810,032	1.7%
Accessory Sales	269,670,018	13.5%
Service & Other Income	8,588,984	0.4%
	1,997,076,917	100.0%

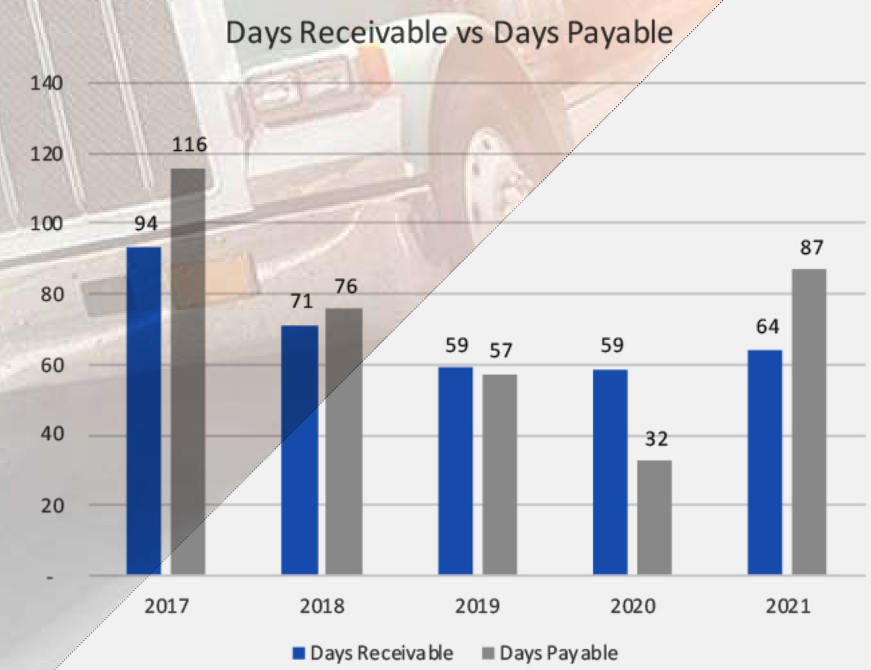


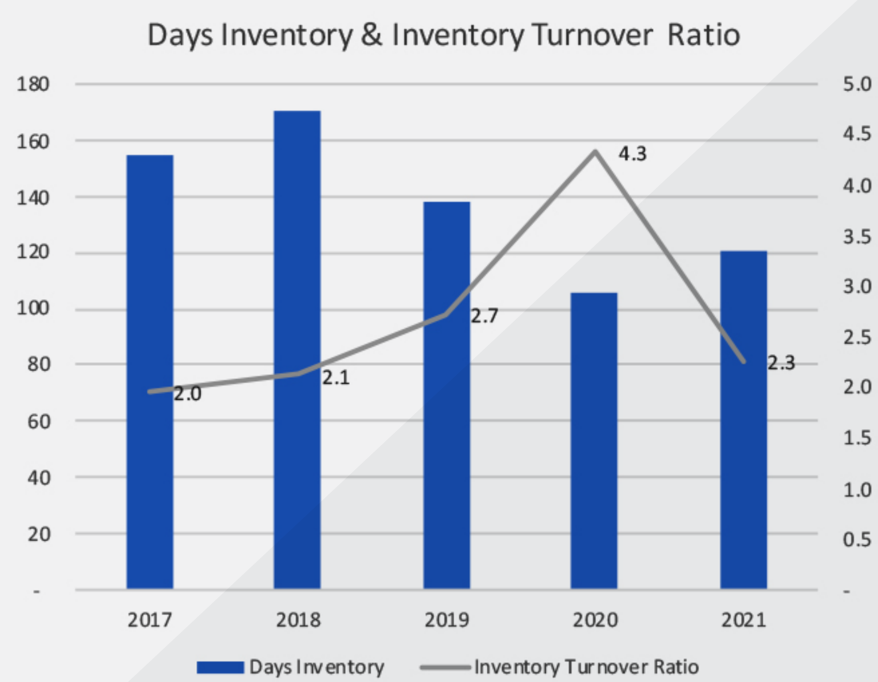
Financial Highlights





Operating KPI's





5-Year Statistical Review

Key Ratios

			Audited 2017	Audited 2018	Audited 2019	Audited 2020	Audited 2021
Financial Ratios							
Current Ratio	=	Current Assets / Current Liabilities	4.0	5.2	5.5	4.4	2.9
Debt to Equity	=	Total Debt / Equity	2.1	1.8	1.5	1.0	1.1
Debt to EBITDA	=	Total Debt / 12 mths. EBITDA	15.7	8.2	4.7	3.7	2.6
Debt Service Coverage Ratio (DSCR)	=	Net Operating Income / Debt Service [12 mths. Interest Payments + Principal Repayments]	14.2	9.7	14.1	2.6	3.5
Operation Ratios							
Days Receivable			93.5	71.1	59.1	58.6	64.2
Days Payable			115.8	75.9	57.2	32.5	86.8
Days Inventory			154.8	170.9	137.9	105.4	120.3
Inventory Turnover Ratio	=	Cost of Goods Sold / Avg Inventory	2.0	2.1	2.7	4.3	2.3

5-Year Statistical Review

Balance Sheet

	Audited 2017	Audited 2018	Audited 2019	Audited 2020	Audited 2021
CURRENT ASSETS					
Cash and cash equivalent	78,637,293	78,576,976	143,238,834	262,502,567	173,828,917
Accounts receivables	328,647,258	286,202,978	282,229,637	299,986,594	351,235,981
Taxation recoverable	-	-	-	-	525,060
Due from related companies	293,100,916	306,246,587	273,032,432	154,049,214	157,400,499
Due from directors	2,067,002	2,082,587	2,163,107	-	-
Due from parent company	14,906,524	22,904,951	23,385,227	23,385,227	23,385,227
Inventories	476,360,846	478,456,702	450,133,458	299,609,370	608,593,378
Total Current Assets	1,193,719,839	1,174,470,781	1,174,182,695	1,039,532,972	1,314,969,062
CURRENT LIABILITIES					
Accounts payable	296,102,355	211,966,289	192,519,411	115,511,333	327,676,037
Due to related party	-	-	-	-	5,000,000
Short-term loan	-	-	-	100,000,000	100,000,000
Current portion of long term loans	689,445	-	-	14,415,231	15,856,683
Taxation payable	2,535,257	12,124,761	20,145,192	5,931,345	-
Total Current Liabilities	299,327,057	224,091,050	212,664,603	235,857,909	448,532,720
NET CURRENT ASSETS	894,392,782	950,379,731	961,518,092	803,675,063	866,436,342
NON-CURRENT ASSETS					
Investment in joint venture	-	-	-	-	5,000,000
Intangible assets	38,133,005	38,133,005	38,133,005	38,133,005	38,133,005
Property, plant & equipment	74,698,697	76,431,079	70,026,094	161,908,088	176,695,423
Right of use assets	-	-	-	172,400,723	152,649,254
Deferred Taxation	42,295,714	32,288,281	21,368,373	-	-
Employee Benefits	36,153,000	59,802,000	41,678,000	35,517,000	54,407,000
Total Non-Current Assets	191,280,416	206,654,365	171,205,472	407,958,816	426,884,682
	1,085,673,198	1,157,034,096	1,132,723,564	1,211,633,879	1,293,321,024
Represented by:					
SHAREHOLDER'S (NET DEFICIT) / EQUITY					
Share Capital	370,000	370,000	370,000	156,675,300	156,675,300
Capital contribution	459,207,861	459,207,861	459,207,861	459,207,861	459,207,861
Accumulated (deficit) / retained earnings	(32,322,207)	(2,258,536)	915,964	119,162,741	209,989,941
Current earnings	26,098,961	44,890,868	86,583,983	-	-
	453,354,615	502,210,193	547,077,808	735,045,902	825,873,102
NON-CURRENT LIABILITIES					
Lease liability	-	-	-	161,423,393	145,566,710
Long-term loans & leases	632,318,583	654,823,903	585,645,756	307,668,546	310,028,468
Deferred tax liability				7,496,038	11,852,744
	632,318,583	654,823,903	585,645,756	476,587,977	467,447,922
	1,085,673,198	1,157,034,096	1,132,723,564	1,211,633,879	1,293,321,024

Income Statement

	Audited 2017	%	Audited 2018	%	Audited 2019	%	Audited 2020	%	Audited 2021	%
Revenue										
FX Rate:	129.00		131.58		135.16		142.63		152.41	
Battery Sales [net]	959,586,832	75%	1,179,078,554	80%	1,397,514,647	80%	1,464,774,585	78.4%	1,538,800,455	77.1%
Battery Export Sales	154,059,885	12%	98,715,831	7%	105,605,402	6%	132,006,753	7.1%	145,207,428	7.3%
Primary Battery Sales	1,987,761	0%	4,900,714	0%	5,485,242	0%	6,033,766	0.3%	6,637,143	0.3%
Tyre Sales	7,240,254	1%	5,089,742	0%	4,351,254	0%	17,405,016	0.9%	34,810,032	1.7%
Accessory Sales	157,407,459	12%	178,565,772	12%	228,050,755	13%	245,154,562	13.1%	269,670,018	13.5%
Service & Other Income	2,435,649	0%	2,857,016	0%	1,613,092	0%	1,774,401	0.1%	1,951,841	0.1%
Total Revenue	1,282,717,840	100%	1,469,207,629	100%	1,742,620,392	100%	1,867,149,083	100.0%	1,997,076,917	100.0%
YOY Growth Rates:	7.4%		14.5%		18.6%		7.1%		7.0%	
Cost of Sales										
Cost of Sales - Automotive	(933,279,441)	-73%	(1,019,852,225)	-69%	(1,228,594,924)	-71%	(1,298,237,958)	-69.5%	(1,377,640,850)	-69.0%
Total Cost of Sales	(933,279,441)	-73%	(1,019,852,225)	-69%	(1,228,594,924)	-71%	(1,298,237,958)	-69.5%	(1,377,640,850)	-69.0%
Gross Profit	349,438,399	27%	449,355,404	31%	514,025,468	29%	568,911,125	30.5%	619,436,067	31.0%
Operating Expenses	8.2%		28.6%		14.4%		10.7%		8.9%	
Administrative, marketing and selling exp.	(324,544,531)	-25%	(374,694,068)	-26%	(400,894,080)	-23%	(439,776,899)	-23.6%	(443,993,739)	-22.2%
Impairment loss on trade receivables	-	0%	-	0%	1,142,520	0%	(6,724,180)	-0.4%	(6,282,026)	-0.3%
Total Operating Expenses	(324,544,531)	-25%	(374,694,068)	-26%	(399,751,560)	-23%	(446,501,079)	-23.9%	(450,275,765)	-22.5%
	6.5%		15.5%		6.7%		11.7%		0.8%	
Operating Profit	24,893,868	2%	74,661,336	5%	114,273,908	7%	122,410,046	6.6%	169,160,302	8.5%
Other operating income	15,553,267	1%	4,921,154	0%	9,094,081	1%	13,715,756	0.7%	23,578,641	1.2%
Total EBIDTA	40,447,135	3%	79,582,490	5%	123,367,989	7%	136,125,802	7.3%	192,738,943	9.7%
Finance Costs & Depreciation	-59.5%		96.8%		55.0%		10.3%		41.6%	
Loan interest	(1,183,507)	0%	6,719,037	0%	(8,079,304)	0%	(34,771,281)	-1.9%	(35,158,227)	-1.8%
Lease interest	-	0%	-	0%	-	0%	-	0.0%	(12,701,106)	-0.6%
Bank Charges	(13,829,814)	-1%	(14,243,513)	-1%	(9,504,060)	-1%	(10,252,848)	-0.5%	(15,059,705)	-0.8%
Interest income	16,939,228	1%	(4,404,138)	0%	4,673,607	0%	2,824,912	0.2%	3,634,501	0.2%
FX Realized gain / (loss)	-	0%	-	0%	-	0%	-	0.0%	6,194,293	0.3%
Depreciation	(16,274,081)	-1%	(22,763,008)	-2%	(23,874,249)	-1%	(33,350,517)	-1.8%	(52,123,793)	-2.6%
Total Finance Costs & Depreciation	(14,348,174)	-1%	(34,691,622)	-2%	(36,784,006)	-2%	(75,549,734)	-4.0%	(105,214,037)	-5.3%
Net Income before Tax	26,098,961	2%	44,890,868	3%	86,583,983	5%	60,576,068	3.2%	87,524,906	4.4%
Taxation	31,998,183	2%	(13,913,040)	-1%	(23,686,282)	-1%	(31,239,774)	-1.7%	808,044	0.0%
Net Income after Tax	58,097,144	5%	30,977,828	2%	62,897,701	4%	29,336,294	1.6%	88,332,950	4.4%
	-321.7%		-46.7%		103.0%		-53.4%		201.1%	
Other comprehensive income	14,024,250	1%	17,877,750	1%	(12,237,750)	-1%	2,326,500	0.1%	15,494,250	0.8%
Total comprehensive (loss)/income	72,121,394	6%	48,855,578	3%	50,659,951	3%	31,662,794	1.7%	103,827,200	5.2%
EPS (Earning Per Share)	N\A		N\A		N\A		$ 0.03		$ 0.07	

Cash Flow Statement

	Audited 2017	%	Audited 2018	%	Audited 2019	%	Audited 2020	%	Audited 2021	%
FX Rate:	129.00		131.58		135.16		142.63		152.41	
Net profit after Tax	58,097,144	74%	30,977,828	39%	62,897,701	44%	29,336,294	11%	88,332,950	51%
Adjustments to reconcile net profit/(loss										
Employee Benefit	(911,000)	-1%	188,000	0%	1,807,000	1%	9,263,000	4%	1,769,000	1%
Depreciation	16,274,081	21%	22,763,008	29%	23,874,249	17%	33,350,517	13%	52,123,793	30%
Taxation expense	(31,998,183)	-41%	13,913,040	18%	23,686,282	17%	31,239,774	12%	(808,044)	0%
Interest expense	4,673,822	6%	220,807	0%	9,786,620	7%	26,111,669	10%	35,158,227	20%
Interest on lease liabilities	-	0%	-	0%	-	0%	7,010,725	3%	12,701,106	7%
Amortisation of Debt issuance costs	-	0%	-	0%	505,697	0%	2,022,790	1%	2,022,790	1%
Interest income	(701,429)	-1%	(830,971)	-1%	(1,707,316)	-1%	(2,374,833)	-1%	(3,634,501)	-2%
Gain/(Loss) on disposal of property plant and equipment	-	0%	(1,650,000)	-2%	(5,476,774)	-4%	36,046	0%	(1,519,087)	-1%
Gain on disposal of investments	-	0%	-	0%	-	0%	-	0%	(13,208,345)	-8%
	45,434,435	58%	65,581,712	83%	115,373,459	81%	135,995,982	52%	172,937,889	99%
Changes in operating assets and liabilities										
Inventories	(161,146,922)	-205%	(2,095,856)	-3%	28,323,244	20%	150,524,088	57%	(308,984,008)	-178%
Receivables	(136,433,274)	-173%	42,444,280	54%	(2,483,247)	-2%	(17,756,957)	-7%	(51,249,387)	-29%
Taxation	(48,565)	0%	-	0%	-	0%	-	0%	-	0%
Related parties	(94,102,391)	-120%	(21,144,098)	-27%	32,733,879	23%	118,983,218	45%	(3,351,285)	-2%
Director's loan	(2,087,002)	-3%	(15,585)	0%	(80,520)	0%	2,163,107	1%	5,000,000	3%
Short term loan	(48,565)	0%	-	0%	-	0%	-	0%	-	0%
Payables	(129,554,075)	-165%	(84,136,066)	-107%	(23,240,290)	-16%	(77,008,078)	-29%	212,501,836	122%
Cash (used)/provided by operating activities	(477,986,359)	-608%	634,387	1%	150,626,525	105%	312,901,360	119%	26,855,045	15%
Interest received	701,429	1%	830,971	1%	1,707,316	1%	2,374,833	1%	3,634,501	2%
Interest paid	(4,677,050)	-6%	(220,807)	0%	(5,993,208)	-4%	(26,111,669)	-10%	(35,158,227)	-20%
Taxation recovered / (paid)	-	0%	(275,353)	0%	(2,441)	0%	(17,364,710)	-7%	(6,456,405)	-4%
Net cash (used)/provided by operations	**(481,961,980)**	-613%	**969,198**	1%	**146,338,192**	102%	**271,799,814**	104%	**(11,125,086)**	-6%
Cash flows from investing activities										
Investments encashed	-	0%	-	0%	-	0%	-	0%	(50,000,000)	-29%
Proceeds for the sale of investments	-	0%	-	0%	-	0%	-	0%	63,208,345	36%
Proceeds from sale of property plant and equipment	167,259,750	213%	1,650,000	2%	10,000,000	7%	50,001	0%	3,800,000	2%
Investment in joint venture	-	0%	-	0%	-	0%	-	0%	(5,000,000)	-3%
Purchase of property plant and equipment	(34,097,010)	-43%	(24,495,390)	-31%	(21,992,490)	-15%	(114,717,193)	-44%	(49,440,572)	-28%
Net cash provided by/(used in) investing activities	133,162,740	169%	(22,845,390)	-29%	(11,992,490)	-8%	(114,667,192)	-44%	(37,432,227)	-22%
Cash flows from financing activities										
Loan received or bond raise	-	0%	-	0%	300,000,000	209%	100,000,000	38%	-	0%
Capital contribution received	-	0%	-	0%	(10,113,950)	-7%	-	0%	-	0%
Proceeds from issuing share capital	-	0%	-	0%	-	0%	156,305,300	60%	-	0%
Payment of lease liabilities	-	0%	-	0%	-	0%	(14,174,189)	-5%	(27,116,337)	-16%
Dividends paid	-	0%	-	0%	-	0%	-	0%	(13,000,000)	-7%
Loan or bond repaid principal	391,412,390	498%	21,815,875	28%	(359,569,894)	-251%	(280,000,000)	-107%	-	0%
Net cash provided by financing activities	391,412,390	498%	21,815,875	28%	(69,683,844)	-49%	(37,868,889)	-14%	(40,116,337)	-23%
Net increase/(decrease) in cash and cash equivalents	**42,613,150**	54%	**(60,317)**	0%	**64,661,858**	45%	**119,263,733**	45%	**(88,673,650)**	-51%
Cash & cash equivalents at beginning of the period	36,024,143	46%	78,637,293	100%	78,576,976	55%	143,238,834	55%	262,502,567	151%
Cash & cash equivalents at end of the period	**78,637,293**	100%	**78,576,976**	100%	**143,238,834**	100%	**262,502,567**	100%	**173,828,917**	100%
Comprising of:										
Cash and cash equivalents	78,637,293	100%	78,576,976	100%	143,238,834	100%	262,502,567	100%	173,828,917	100%
	78,637,293	100%	**78,576,976**	100%	**143,238,834**	100%	**262,502,567**	100%	**173,828,917**	100%

Governance

MANAGING DIRECTOR'S MESSAGE FISCAL YEAR END 2021

Overview

FY 2021, was our first full financial year as a Publicly Traded Company and overall we would say it was a pretty good one. We are happy with the support we received from our board of directors, advisors and all our team members. We remain humble and excited about the goals we achieved in 2021 and the opportunities ahead of us. We are pleased that we were able to navigate the impact of Covid-19, protecting the health and safety of our employees and customers as well as increasing revenue, gross profit and net profit.

Additionally, we organized internal Team training on Charging Methods and best practices for our retail store's Team members. The Team Core Values competition was really successful and we got some great insight from the team as to which of the Company Core Value's resonated the most with them and why. We had a continuous weekly vaccination drive that was aimed at helping team members and their families get vaccinated. The Team is about 90% vaccinated.

TROPICAL and CAC 2000 Limited, both listed on the Junior Market of the Jamaica Stock Exchange, announce a joint venture; ENRVATE Limited. The company is led by Steven Marston, former CEO of CAC 2000 Limited.

ENRVATE will adopt a unique approach to establishing energy saving solutions for our commercial customers in Jamaica and the Caribbean by focusing on real-time measurement, monitoring of energy consumption, and using the resulting data to identify, design and execute energy and water saving opportunities. The goal is to work with customers to achieve minimum savings of 25%, with the ultimate achievement being NET ZERO consumption. Enrvate plans to develop innovative financing solutions for qualified customers through the issuance of a Green Bond along with equity capital.

This joint venture is in line with TROPICAL's strategic plan, outlined last year, to provide and promote the growth of safe, quality and clean-energy storage solutions across Jamaica and the Caribbean Region. With this we are continuing to embrace cutting-edge technology and have no doubt that we will proceed with making further inroads into our target markets.

Fiscal Year

For the fiscal year, revenue came in at $2.0 billion or 7.0% above last year. Gross Profit percentage was 31.0%, which was above the prior year's 30.5%. In dollars, we grew Gross Profit from $568 million in FY 2020 to $619 million in FY 2021, notwithstanding slowdowns in sales associated with Covid-19 related lockdowns and inventory issues; arising from shipping delays and supplier shortages.

Administration, marketing and selling expenses were up 2.4% compared to the prior year reflecting the net effect of efficiency improvements. Notwithstanding the Covid-19 impact on expenses and sales, net profit before depreciation, net finance costs and taxation increased 41.6% to $193 million from $136 million in the prior year.

Net profit after tax was $88.3 million, up 201.1% from FY 2020's $29.3 million and earnings per stock unit was $0.07 per share versus $0.03 in FY 2020.

Financial Position

Total Equity was up 12.4% moving from $735 million at the end of fiscal year 2020 to $826 million as at September 30, 2021. The increase was driven mainly through increases in retained earnings.

Total Assets increased to $1.74 billion from $1.45 billion, as increases in current assets were driven by conscious decisions to increase our inventory levels, given global shipping and logistics problems being experienced. Total liabilities also increased, moving from $712 million as at the fiscal yearend 2020 to $916 million as that September 30, 2021. As you can see, our total assets grew by a greater amount i.e., $294 million, versus our liabilities which increased by a lessor amount $203 million . This positive move reflects our focus on improving the capital structure.

Cash Flow

Cash used by the operations was $11 million, compared to $271 million generated last fiscal year. Again, reflecting our decision to invest excess liquidity into inventory. As at the 30 of September 2021, cash and cash equivalents stood at $174 million. This cash and our strong balance sheet (particularly our high levels of inventory) positions us well to achieve our growth objectives into new product lines and

MANAGING DIRECTOR'S MESSAGE FISCAL YEAR END 2021 CONTINUED

markets/countries, as well as to fund the rest of our 2022 strategic growth.

Outlook

As a part of our Strategic 2022 Growth Plan, we will be focusing on creating shareholder value through acquisitions of and partnerships with aligned profitable companies in Jamaica and across the Caribbean region. To this end, we continue have discussions and perform the necessary due diligence with several suitable targets.

Impact of COVID-19

The health and safety of our staff and customers was and continues to be our first priority. At our retail stores, warehouses and head office, we adopted enhanced safety measures, including those recommended by the government, aimed at providing a safe environment for our staff and customers. These measures include frontline staff members wearing masks, daily temperature checks of team members, hand sanitizers installed at entry points, etc. Also, we provide our staff with all necessary safety items required to perform their respective duties, all at a relatively low cost to the Company. These measures have had an impact of our expenses but were in line with our commitment to employee and customer health and safety.

The Company's supply chains remain intact, but some late shipments were experienced from suppliers because of the global pandemic.

The work from home and social distancing procedures implemented to slow the spread of COVID-19, could have had a more severe impact on Tropical Battery's distribution. However, due to recent innovations and upgrades to our distribution strategy in recent years, the company was able to minimize the effect of less consumer traffic.

Board of Directors

Marc Melville, Chairman

Marc Melville has over 27 years' experience in the businesses of the group, starting with his tenure at Tropical Battery where he was committed to learning the business "from the ground up". Marc rose to hold the position of General Manager and is currently the Chairman of Tropical Battery where he is responsible for strategic planning. Marc is also the CEO of the Chukka Group, with operations in Jamaica, Belize, Cayman, and Turks and Caicos.

Marc has been a member of the Board of the Jamaica Tourist Board since 2013.

Alexander Melville, Managing Director

Alexander Melville is the Managing Director of Tropical Battery, and has more than 26 years of industry work experience in the Automotive/Battery Business. The experience ranges from warehouse hand, receivables clerk, finance director, to his current role. The highlights during this time would be the transition to real-time sales accounting for all of our retail stores, restructuring shareholder equity with significant investment from our parent company, and helping to put the right people in the right seats, then inspiring and motivating them to achieve growth rates significantly above our industry growth rates.

Alexander, also sits on the Board of Eppley Limited, a finance and investment company listed on the JSE, and is on the Audit and Remuneration Committees of that company. Additionally, on Chukka Group Boards; Diverze Assets Inc., Diverze Properties, and as the Treasury Director of Chukka Caribbean Adventures Ltd (a regional Nature Adventure Tour Company)

Board of Directors Continued

Daniel Melville Jr., Deputy Managing Director

In 2014, Daniel took-up the role as the VP Sales & Marketing at Tropical Battery, where his skills allowed him to lead the sales Team and execute successful customer service strategies. Since taking over this role the sales have grown by more than 15% annually on average. As a member of the Senior Management Team, he teams up with all department heads to brainstorm, motivate and inspire our fellow employees, while overseeing business operations. In June 2021 he was promoted to Deputy Managing Director.

Daniel is also a board member, and his mandate is to ensure that Tropical Battery is constantly moving towards fulfilment of its short-term and long-term goals and does not diverge from its strategic plan. Before Tropical Battery, he worked for over 14 years at the Chukka Group. Both on the operating side and the marketing team. Prior to joining same, he worked with Carnival Cruise Lines which helped him to gain a unique understanding of visitors' vacation preferences and needs.

Ricardo Hutchinson, Non – Executive Director

Ricardo has more than 10 years' experience in the Caribbean banking sector providing corporate banking and capital markets solutions to clients across the Caribbean region. Prior to joining Portland Private Equity, Ricardo held the role of Associate Director- Investment Banking with a leading regional commercial bank where he was responsible for leading the structuring and successful placement of several capital markets transactions. He holds a Masters of Science degree in economics from the University of the West Indies and is a CFA Charter holder.

Caryl Fenton FCA (Jamaica), FCCA (UK), Independent Director

Caryl Fenton is a Chartered Accountant, having retired as an audit partner on September 30, 2011, from the firm KPMG Chartered Accountants. During her 30 years at KPMG she held engagement partner responsibility for a large portfolio of the KPMG's clients and the human resources area of that firm's administration. Audits included some of Jamaica's largest general insurance companies, and two life insurance companies. Within KPMG, her other responsibilities included being Head of Audit for the Jamaican member firm and KPMG CARICOM. This role involved oversight of quality control and training.

Ms. Fenton chaired the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica for over eight years and represented that body on the Council of the Jamaica Stock Exchange.

Marc Ramsay, Independent Director

Marc Ramsay is an Attorney-at-Law called to the Bar in Barbados, Jamaica, and Belize and a Professionally Accredited Corporate Secretary and Professionally Accredited Director (GovStrat). As Partner in RamsaySmith, Attorneys-at-Law, his practice focuses on mergers and acquisitions, finance, and international trade, including advising Tropical Battery Company Limited and Diverze Assets Inc. Marc has served on several private and public sector boards including Aeronautical Telecommunications Limited (AEROTEL), Jamaica Civil Aviation Authority, Teacher Services Commission, and Key Insurance Company Limited.

Passionate about service, Marc was Chairman of the Kingston and St. Andrew Parish Library Service Advocacy Committee, an Adjunct Lecturer at the University of the West Indies Faculty of Law, and currently serves as coach to the international law mooting team at the Norman Manley Law School.

Corporate Governance

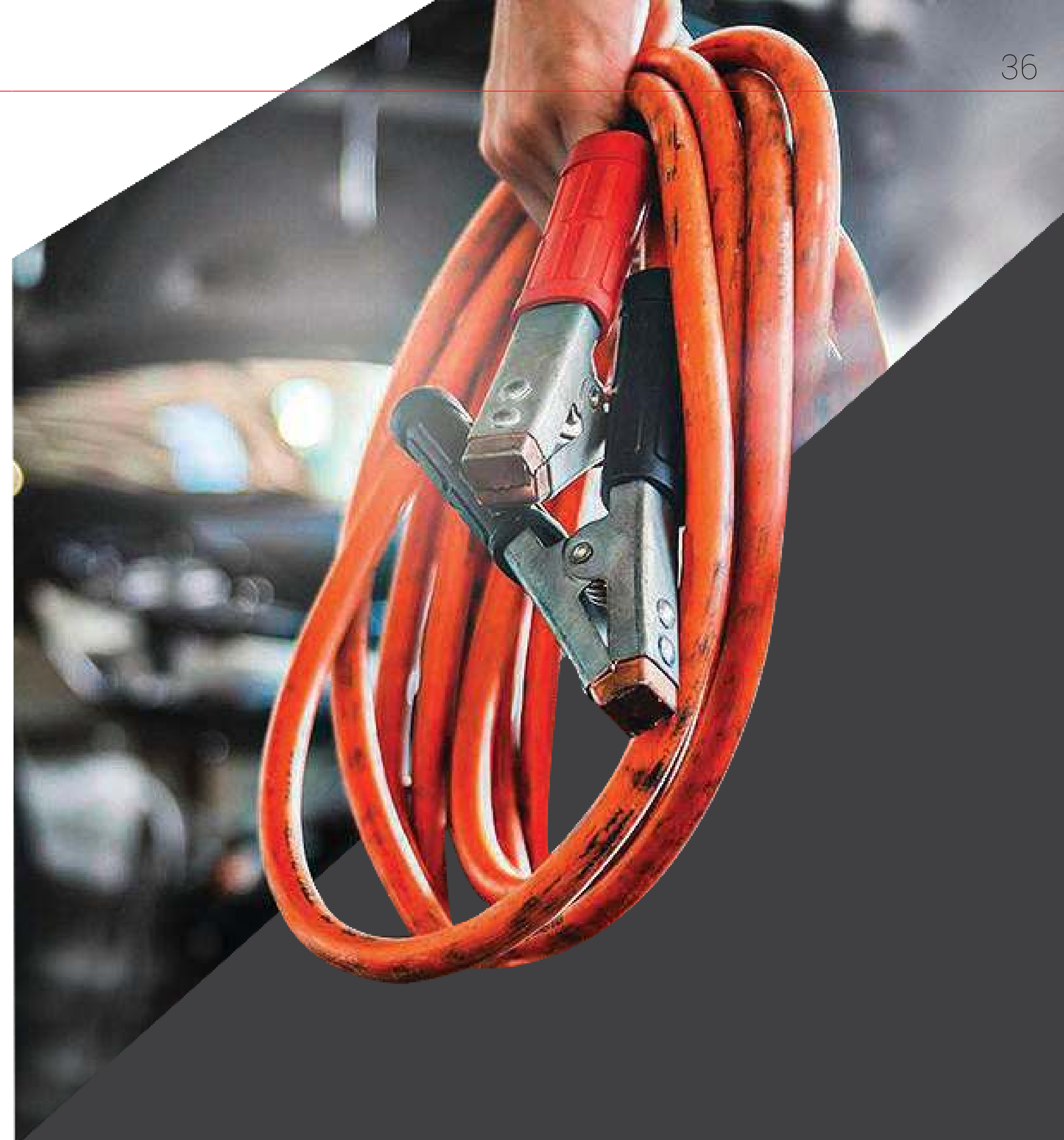
The Board has established an Audit and Risk Committee, and a Remuneration Committee, each of which is required under the Junior Market Rules. The members of each Committee include at least 2 independent non executive Directors, and are as follows:

Audit and Risk Committee	Remuneration Committee
Caryl Fenton (Chair)	Marc Ramsay (Chair)
Alexander Melville	Alexander Melville
Marc Ramsay	Caryl Fenton

BOARD MEMBER	IN ATTENDANCE
Mr. Marc Melville	present
Mr. Alexander Melville	present
Mr. Daniel Melville	present
Mr. Ricardo Hutchinson	present
Mr. Marc Ramsay	present
Ms. Caryl Fenton	present

MENTOR

We also have a well respected mentor in Mr. Jeffrey Hall. Who is the Chief Executive Officer and a Director of the Jamaica Producers Group. He serves as Chairman of Scotia Group Jamaica Limited, Scotia Investments Jamaica Limited, Kingston Wharves Limited and Lumber Depot Limited and is a director of Blue Power Group Limited and a Vice-President of the Private Sector Organisation of Jamaica. Mr. Hall received his Juris Doctorate degree, with honours, from Harvard University and practiced banking and securities law at Davis Polk and Wardwell in New York. He holds a Master of Public Policy degree from Harvard University and a Bachelor of Arts degree in Economics from Washington University. Mr. Hall has served as a director of the Bank of Jamaica, the Jamaica Stock Exchange, JAMPRO, the National Housing Trust and the Institute of Jamaica.



Business Leadership

05 | Leadership Team

Leadership Team

Stacy-Ann Spence: Operations Manager

Stacy-Ann joined the Tropical Battery family in 2014 as the Human Resource Assistant. This role was later enriched to include General Operations and Administrative Assistant. Her portfolio further expanded to include managing the processes of recruitment, training, workplace safety and benefits administration among others. She was later promoted to the senior position of Environment, Safety & Fleet Manager. This portfolio included managing the Used Battery Recycling & Export Department. Apart from export, her portfolio also includes Occupational Safety & Health, Fleet Management, Administration and Maintenance Management. After showing strengths in these areas she was promoted to Operations Manager in January. Prior to working at Tropical Battery, she was employed at the Bob Marley Museum at 56 Hope Road. She worked in the areas of Customer Service, Administration and Accounts.Competent in the areas of Human Resource Management,Occupational Health & Safety, Customer Service and Administration. Stacy-Ann graduated from the University of the West Indies with honours in 2012 with a Bachelor of Science Degree in Labour & Employment Relations.

Reshando Mais: Financial Controller

Reshando Joined Tropical Battery Company Limited in July 2017 in the capacity of Financial Controller. He is responsible for the accounting and financial operations of the Company which includes, generating and reporting periodic financial statements in accordance with International Financial Reporting Standards. Mr. Mais also extends his expertise in the maintenance of a suitable accounting system that provides accurate, reliable and timely records, suitable for internal controls and budgets which aids to secure the integrity of the Company and mitigate against risks, and to a greater extent, to restore the flow of timely audits and financial decision and future planning.

He is a graduate of Northern Caribbean University and University of the Commonwealth Caribbean, where he obtained a Bachelor of Science Degree in Business Administration with emphasis in Accounting and a Commonwealth Executive Master of Business Administration respectively. He has over 10 years of experience in accounting, external audit, real estate industry and merchandising

O'Rane Gray: Management of Information Systems

O'Rane recently joined the management team as an IT Consultant. His role entails leading the transformation of the information technology functions and its related projects. O'Rane has a double major degree from the University of the West Indies in Telecommunications Electronics and Mathematics, along with several internationally recognized professional certifications.

He has approximately 20 years of experience in the IT field working with several companies in management positions such as Port Authority of Jamaica, J Wray and Nephew, Gruppo Campari and Caribbean Broilers Group. O'Rane is known to successfully lead and manage the changes required to ensure that organizations capitalize fully from their investment in information technology.

Leadership Team

Sandra Russell: Human Resource Manager

Sandra joined our management team in January 2019, in the capacity of Human Resource Manager. She studied at both local and overseas institutions where she now holds a Bachelor of Science degree in Human Resource Management from Madison University, USA., and a Diploma in Personnel Management & Industrial Relation from IMP. Mrs. Russell has twenty-four (24) years of management experience in the private sector namely Lasco Distributors Limited. She also served in the Banking and public sector as well.

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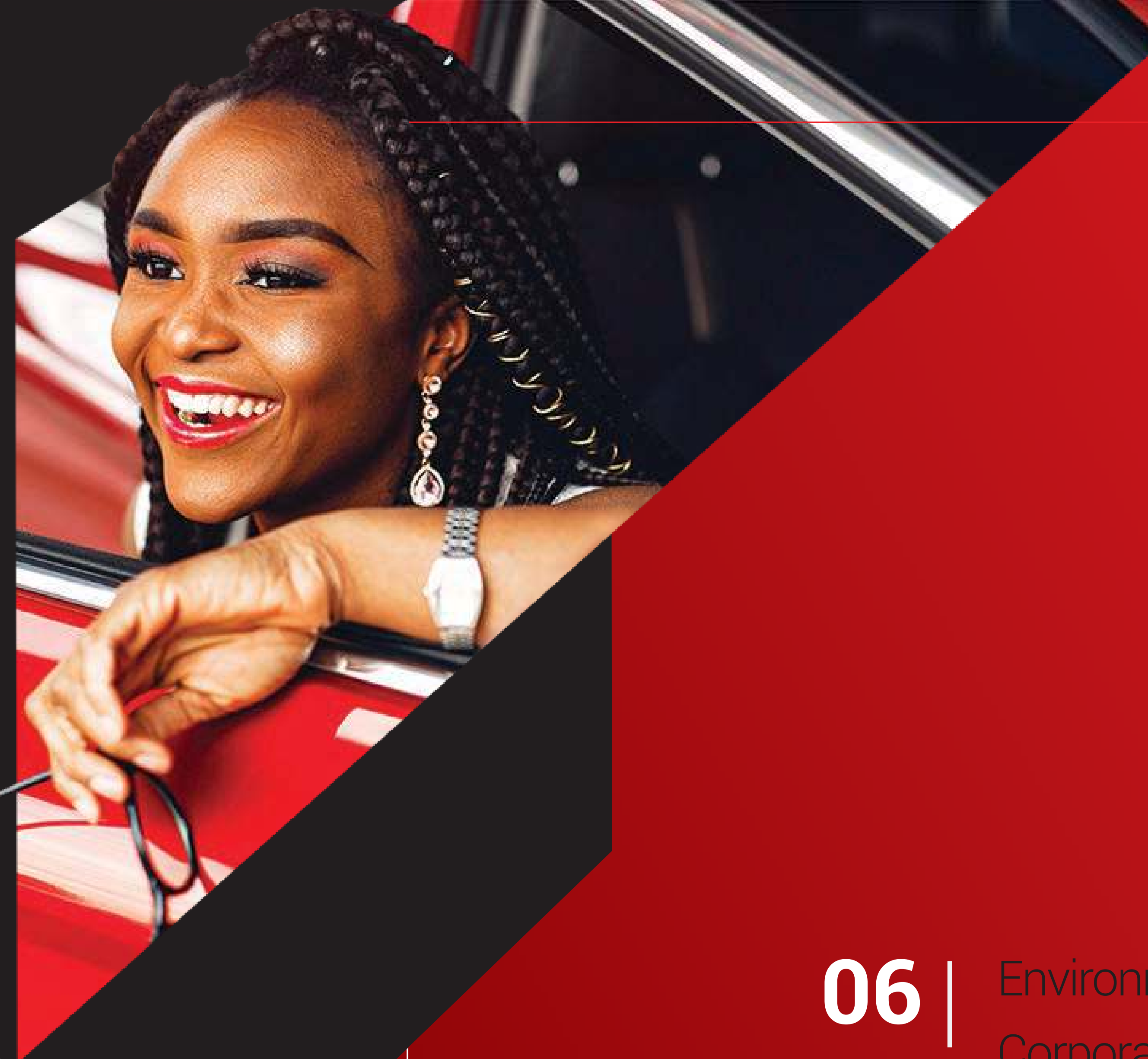
Claude Christie: Procurement Officer

Our Procurement Officer is a dynamic team player who strives for excellence. Working with Tropical Battery for 23 years is dedicated to seeing the Company's continued progress in providing the best products on the market while maintaining our first class standards of customer service. The holder of 1st and 2nd Degrees in Computer Science and software application from College of Arts Science and Technology. He was promoted to this position after many years performing his duties for purchasing and inventory management while overseeing the company's technology and software advances to better enhance performance.



Corporate Social Responsibility

Environmental Standards

Tropical Battery is a licensed exporter of spent batteries and a National Environment and Planning Agency (NEPA) registered collection centre for spent batteries. Tropical Battery ensures that all used batteries are disposed of in an environmentally friendly way, by collecting spent batteries and exporting them to licensed recycling plants. This is approved by NEPA and the environmental protection agencies of the countries where the recycling facilities are located. Over 90% of the materials used to make batteries can be recycled, so this has a material impact on many sectors. Tropical Battery can also provide its customers with records of its collections and exports of all spent batteries.

Corporate Social Responsibility

On August 19, 2021 due to the increase in the COVID-19, members of staff were mandated to wear their masks as part of the uniform dress code.

Transportation was provided for members of staff, their families and was open to the nearby residents; several trips were made to vaccine sites such as Caymanas Park and Mona Rehabilitation Centre for staff to be vaccinated. They were provided with water and Panadol by the company. Staff were also informed via e-mail of the company's mandate to have all members of staff vaccinated by October 30, 2021. Approximately 66% of our staff have been vaccinated to date.

The University Hospital of the West Indies has started their initiative to build out a Covid-19 ward to house patients who have tested positive for the virus. They, along with Zoukie Trucking Company, will be retrofitting 40' metal containers into medical wards at a cost of US$12,000 for each container. For the next quarter, we will be funding the cost for one container to aid in the nation's fight against Covid-19.

TROPICAL BATTERY ANNUAL REPORT 2021

Financial Statements

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FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
TROPICAL BATTERY COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tropical Battery Company Limited ("the company"), set out on pages 8 to 48, which comprise the statement of financial position as at September 30, 2021, the statements of profit or loss and other comprehensive income, changes in shareholders' net equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at September 30, 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
TROPICAL BATTERY COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Carrying amount of trade receivables

Key audit matter	**How the matter was addressed in our audit**
The company has a significant concentration of credit risk with large credit customers with material balances both individually and in aggregate. The company is required to recognise expected credit losses ('ECL') on trade receivables measured at amortised cost. The determination of ECL is highly subjective and requires management to make significant judgements and estimates and the application of forward-looking information.	Our audit procedures in response to this matter, included: • Testing manual controls over the recording of trade receivables, collections and the ageing of invoices. • Testing the company's recording and ageing of trade receivables. • Using the appropriate KPMG specialist, we reviewed the expected credit loss (ECL) model calculations and agreed the data inputs. • Comparing the definition of default for the ECL measurement, as outlined in the accounting policy, against the definition that management uses for credit risk arrangements. • Evaluating the appropriateness of economic parameters including the use of forward-looking information.

To the Members of
TROPICAL BATTERY COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Carrying amount of trade receivables (continued)

Key audit matter	**How the matter was addressed in our audit**
The economic impact of Covid-19 on trade receivables has resulted in increased judgement in the following: • The identification of significant increase in credit risks, which now included Covid-19 related qualification factors. • The incorporation of forward looking information, reflecting a range of possible future economic conditions which are highly uncertain. • The combination of estimates and judgements increases the risk that management's estimate could be materially misstated [see notes 3(p), 5 and 25(a) of the financial statements].	Our audit procedures in response to this matter, included (continued): • Testing the accuracy of the ECL calculation. • Evaluating the adequacy of the allowance for impairment recognised in respect of the company's trade receivables by assessing management's assumptions used including determining compliance with the requirements of IFRS 9, *Financial Instruments*. • Assessing whether disclosures in the financial statements are adequate in respect of the company's exposure to credit risk and measurement of allowance for ECL.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion 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 appears to be materially misstated.

To the Members of
TROPICAL BATTERY COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information (continued)

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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6 to 7, forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
TROPICAL BATTERY COMPANY LIMITED

Report on additional matters 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 the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Sandra Edwards.

KPMG

Chartered Accountants
Kingston, Jamaica

December 13, 2021

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
TROPICAL BATTERY COMPANY LIMITED

Appendix to the Independent Auditors' report

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 and appropriate 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- 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 fair presentation.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
TROPICAL BATTERY COMPANY LIMITED

Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditors' report unless law or regulation precludes public disclosure 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.

TROPICAL BATTERY COMPANY LIMITED

Statement of Financial Position
September 30, 2021

	Notes	2021	2020
CURRENT ASSETS			
Cash and cash equivalents	4	173,828,917	262,502,567
Accounts receivable	5	351,235,981	299,986,594
Due from related companies	6(a)	157,400,499	154,049,214
Due from parent company	6(b)	23,385,227	23,385,227
Inventories	7	608,593,378	299,609,370
Taxation recoverable		525,060	-
		1,314,969,062	1,039,532,972
CURRENT LIABILITIES			
Accounts payable	8	327,676,037	115,511,333
Due to related party	6(c)	5,000,000	-
Short-term loan	9	100,000,000	100,000,000
Current portion of lease liabilities	12(b)	15,856,683	14,415,231
Taxation payable		-	5,931,345
		448,532,720	235,857,909
NET CURRENT ASSETS		866,436,342	803,675,063
NON-CURRENT ASSETS			
Intangible assets	10	38,133,005	38,133,005
Property, plant and equipment	11	176,695,423	161,908,088
Right of use assets	12(a)	152,649,254	172,400,723
Employee benefits	13	54,407,000	35,517,000
Interest in joint venture	6(d)	5,000,000	-
		426,884,682	407,958,816
		$1,293,321,024	1,211,633,879
Represented by:			
SHAREHOLDERS' NET EQUITY			
Share capital	15	156,675,300	156,675,300
Capital contribution	16	459,207,861	459,207,861
Accumulated profit		209,989,941	119,162,741
		825,873,102	735,045,902
NON-CURRENT LIABILITIES			
Lease liabilities	12(b)	145,566,710	161,423,393
Long-term loans	17	310,028,468	307,668,546
Deferred tax liability	14	11,852,744	7,496,038
		467,447,922	476,587,977
		$1,293,321,024	1,211,633,879

The financial statements, on pages 8 to 48, were approved for issue by the Board of Directors on December 13, 2021 and signed on its behalf by:

__________ Director   __________ Director

Marc Melville   Alexander Melville

The accompanying notes form an integral part of financial statements.

TROPICAL BATTERY COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended September 30, 2021

	Notes	2021	2020
Gross operating revenue	18	1,997,076,917	1,867,149,083
Cost of operating revenue	19(a)	(1,377,640,850)	(1,298,237,958)
Gross profit		619,436,067	568,911,125
Administration, marketing and selling expenses	19(b)	(443,993,739)	(440,136,537)
Impairment loss on trade receivables	25(a)	(6,282,026)	(6,364,542)
		(450,275,765)	(446,501,079)
Operating profit		169,160,302	122,410,046
Other operating income	19(c)	23,578,641	13,715,756
Profit before depreciation, net finance costs and taxation	19(d)	192,738,943	136,125,802
Depreciation	11,12	(52,123,793)	(33,350,517)
Profit before net finance costs and taxation		140,615,150	102,775,285
Finance costs		(62,977,503)	(45,024,129)
Finance income		9,887,259	2,824,912
Net finance costs	20	(53,090,244)	(42,199,217)
Profit before taxation		87,524,906	60,576,068
Taxation	21	808,044	(31,239,774)
Profit for the year		88,332,950	29,336,294
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gain on employee benefit assets	13(f)	20,659,000	3,102,000
Related taxation on re-measurement	14(b)	(5,164,750)	(775,500)
Other comprehensive income, net of tax		15,494,250	2,326,500
Total comprehensive income for the year		$ 103,827,200	31,662,794
Earnings per stock unit	22	$0.068	0.034

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

TROPICAL BATTERY COMPANY LIMITED

Statement of Changes in Shareholders' Net Equity
Year ended September 30, 2021

	Share capital (note 15)	Capital contribution (note 16)	Accumulated profit	Total
Balances as at September 30, 2019	370,000	459,207,861	87,499,947	547,077,808
Transaction recorded directly in equity:				
Issue of shares (note 15)	156,305,300	-	-	156,305,300
Profit for the year	-	-	29,336,294	29,336,294
Other comprehensive income:				
Re-measurement income on employee benefit asset, net of taxation	-	-	2,326,500	2,326,500
Total comprehensive income	-	-	31,662,794	31,662,794
Balances as at September 30, 2020	156,675,300	459,207,861	119,162,741	735,045,902
Profit for the year	-	-	88,332,950	88,332,950
Dividends (note 23)	-	-	(13,000,000)	(13,000,000)
Other comprehensive income:				
Re-measurement income on employee benefit asset, net of taxation	-	-	15,494,250	15,494,250
Total comprehensive income	-	-	90,827,200	90,827,200
Balances as at September 30, 2021	$156,675,300	459,207,861	209,989,941	825,873,102

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

TROPICAL BATTERY COMPANY LIMITED

Statement of Cash Flows
Year ended September 30, 2021

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		88,332,950	29,336,294
Adjustment to reconcile net profit for the year to net cash used by operating activities:			
Employee benefits		1,769,000	9,263,000
Depreciation	11,12	52,123,793	33,350,517
Taxation expense	21	(808,044)	31,239,774
Interest on loans	20	35,158,227	26,111,669
Interest on lease liabilities	20	12,701,106	7,010,725
Amortisation of debt issuance costs		2,022,790	2,022,790
Interest income	20	(3,634,501)	(2,374,833)
Gain on disposal of investments	19(c)	(13,208,345)	-
(Gain)/loss on disposal of property, plant and equipment	19(c)	(1,519,087)	36,046
		172,937,889	135,995,982
Changes in working capital:			
Accounts receivable		(51,249,387)	(17,756,957)
Due from related companies		(3,351,285)	118,983,218
Due to related party		5,000,000	-
Inventories		(308,984,008)	150,524,088
Accounts payable		212,501,836	(77,008,078)
Due from directors		-	2,163,107
Cash generated by operations		26,855,045	312,901,360
Interest received		3,634,501	2,374,833
Interest paid		(35,158,227)	(26,111,669)
Taxation paid		(6,456,405)	(17,364,710)
Net cash (used)/provided by operating activities		(11,125,086)	271,799,814
CASH FLOW FROM INVESTING ACTIVITIES			
Investment encashed		(50,000,000)	-
Proceeds from sale of investments		63,208,345	-
Proceeds from the sale of property, plant and equipment		3,800,000	50,001
Investment in joint venture	6(d)	(5,000,000)	-
Purchase of property, plant and equipment	11	(49,440,572)	(114,717,193)
Net cash used by investing activities		(37,432,227)	(114,667,192)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares	15	-	156,305,300
Proceeds from short-term/long-term loan	9	-	100,000,000
Payment of dividends	23	(13,000,000)	-
Payment of lease liabilities	12(d)	(27,116,337)	(14,174,189)
Repayment of long-term loan		-	(280,000,000)
Net cash used by financing activities		(40,116,337)	(37,868,889)
Net (decrease)/increase in cash and cash equivalents		(88,673,650)	119,263,733
Cash and cash equivalents at the beginning of the year		262,502,567	143,238,834
Cash and cash equivalents at the end of the year		$173,828,917	262,502,567

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

TROPICAL BATTERY COMPANY LIMITED

Notes to the Financial Statements (Continued)
September 30, 2021

1. Corporate structure and principal activities

The company is incorporated and domiciled in Jamaica and its registered office is situated at 30 Automotive Parkway, Kingston 20, 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 listed on the Junior Market of the Jamaica Stock Exchange (JSE) on September 29, 2020. As a result, the company is a 75% subsidiary of Dai Diverze (Jamaica) Limited.

The principal activities of the company are the sale and distribution of auto batteries and motor vehicle accessories.

2. Statement of compliance, basis of preparation

(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.

New revised and amended standards that became effective during the year:

Certain new and amended standards become effective during the year. The adoption of these standards did not have any impact on the company's financial statements.

New and amended standards issued and interpretations that are not yet effective:

At the date of authorisation of the financial statements, certain new and amended standards and interpretations have been issued which are not yet effective and which the company has not yet adopted:

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* are effective for annual reporting periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling a contract.

2. Statement of compliance, basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards issued and interpretations that are not yet effective (continued):

- *Amendments to IAS 37 Provision, Contingent Liabilities and Contingent Assets (continued)*

  The amendments clarify that the 'costs of fulfilling a contract comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- Amendments to IAS 16 *Property, Plant and Equipment,* effective for annual periods beginning on or after January 1, 2022, will mainly affect extractive and petrochemical industries and include the following guidance.

  In the process of making an item of property, plant and equipment (PPE) available for its intended use, a company may produce and sell items – e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production. It provides guidance on the accounting for such sale proceeds and the related production costs.

  Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 *Inventories* should be applied in identifying and measuring these production costs.

  Companies will therefore need to distinguish between, costs associated with producing and selling items before the item of PPE is available for use, and costs associated with making the item of PPE available for its intended use. Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level.

  The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognised in profit or loss, and specify the line items in which such proceeds and costs are included in the statement of comprehensive income.

2. Statement of compliance, basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards issued and interpretations that are not yet effective (continued):

- Amendments to IAS 16 *Property, Plant and Equipment (continued)*

  This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Company does not expect these amendments to have a significant impact on its financial statements.

(b) Basis of preparation:

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

The financial statements are prepared under the historical cost convention. The significant accounting policies stated in paragraph (c) and note 3 below conform in all material respects with IFRS.

2. Statement of compliance, basis of preparation and (continued)

(c) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

2. Statement of compliance, basis of preparation and significant accounting policies (continued)

(c) Use of estimates and judgements (continued):

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information.

Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates [see notes 5 and 25(a)]

(iii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held (see note 7).

(iv) Pension and other post-retirement benefits:

The amounts recognised in the statement of financial position and profit or loss for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The expected return on plan assets considers the long-term returns, asset allocation and future estimates of long-term investment returns; the discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in the foregoing assumptions will affect the amounts recorded in the financial statements for these obligations (see note 13).

3. Significant accounting policies

(a) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances including short-term deposits with maturities ranging between one and three months from the reporting date.

(b) Accounts receivable:

Trade and other receivables are measured at amortised cost less impairment losses [see note 3(p)].

(c) Investment

Investments comprise fixed deposits with maturities after one year from the reporting date. Investments are classified at amortised cost.

(d) Related parties:

A related party is a person or entity that is related to the entity which is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a 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 of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions apply:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity 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).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

3. Significant accounting policies (continued)

(d) Related parties (continued):

(b) An entity is related to the reporting entity if any of the following conditions applies: (continued)

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is part, provides key management personnel services to the company or to the parent of the company.

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

The company has a related party relationship with its directors, parent company, jointly controlled entities, and post-employment benefit plan, as well as with its trustees and key management personnel. "Key management personnel" represents certain senior officers of the company.

(e) Inventories:

Inventories are measured at the lower of cost, materially determined on the weighted average basis, and net realisable value.

(f) Accounts payable:

Trade and other payables are measured at amortised cost.

(g) Provisions:

A provision is recognised in the statement of financial position when the company has an obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(h) Property, plant and equipment:

(i) Owned assets:

Items of property, plant and equipment are measured at cost or valuation, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets.

3. Significant accounting policies (continued)

(h) Property, plant and equipment (continued):

(i) Owned assets (continued):

The cost of self-constructed assets includes the cost of materials, direct labour and related costs to put the asset into service.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the company and its costs can be measured reliably. The costs of day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefit associated with the expenditure will flow to the company.

(iii) Depreciation:

Depreciation is computed on the straight-line basis at annual rates to write down the property, plant and equipment to their estimated residual values at the end of their expected useful lives.

Leasehold improvements	-	Over the period of the lease
Furniture, machinery and equipment	-	10%
Computers	-	25%
Motor vehicles	-	20%
Right-of-use assets	-	Over the period of the lease

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

(i) Leases:

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. Significant accounting policies (continued)

(i) Leases (continued):

i. As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant accounting policies (continued)

(i) Leases (continued):

i. As a lessee (continued)

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) Intangible assets:

Brands:

Brands represent expenditure incurred for the exclusive right to assume specific trade names and logos associated with the business. These intangible assets are determined to have an indefinite useful life but are tested annually for impairment.

(k) Taxation:

Taxation on profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (continued)

(l) Revenue recognition:

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition under IFRS 15.
Revenue from the sale of batteries, oils, lubricants, tyres and other accessories	Revenue is recognised when service is provided to the customers based on the terms specified in the contract. Invoices are generated and the revenue is recognised at that point in time. Invoices are usually payable within 5 days.	Revenue is recognised when the services are provided and have been accepted by the customers.

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over a service to a customer. Revenue is recognised as the related services are performed.

(m) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

(n) Employee benefits:

(i) Pension assets:

Pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion.

The actuarial valuation was conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit assets and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

3. Significant accounting policies (continued)

(n) Employee benefits (continued):

(ii) Defined benefit pension scheme:

The company is a participating employer in a defined benefit pension scheme, the assets of which are held separately from those of the company.

The company's net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognised is restricted to the discounted value of future benefits available to the company.

The discount rate applied is the yield at reporting date on long-term government instruments that have maturity dates approximating the term of the company's obligation. The calculation is performed using the projected unit credit method.

Where the calculation results in a pension surplus to the company, the recognised asset is limited to the present value of any future refunds from the plan or reductions in the future contributions to the plan.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

(iii) Other employee benefits:

Employee entitlement to leave is recognised when it accrues to employees. A provision is made for the estimated liability for annual leave, as a result of services rendered by employees up to the reporting date.

(o) Dividends and distributions:

Dividends and distributions are recognised in the period in which they are declared.

(p) Net finance costs:

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, material bank charges and foreign exchange gains and losses 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.

3. Significant accounting policies (continued)

(q) Borrowings:

(i) Debt issuance costs:

These represent legal, accounting and financing fees associated with securing certain long-term loans, which are amortised on an effective rate basis over the lives of the loans.

(ii) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at fair value plus transaction costs directly attributable to the issue of the financial liabilities. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost using effective interest method.

(r) Impairment:

Financial assets

The company recognises loss allowances for ECLs on financial assets, measured at amortised cost.

The company measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade and other receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and also includes forward looking information.

The company recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security if any is held; or
- the financial asset is more than 360 days past due.

The company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

3. Significant accounting policies (continued)

(r) Impairment (continued):

Financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

3. Significant accounting policies (continued)

(r) Impairment (continued):

Financial assets (continued)

Write-off (continued)

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

A provision for impairment is established if there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective interest rate.

Non-financial assets

The carrying amount of the company's non-financial assets (other than deferred tax assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(s) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, accounts receivable and related party receivables. Similarly, financial liabilities include accounts payable and loans.

(i) Recognition and initial measurement

Accounts receivable are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

(s) Financial instruments (continued):

(i) Recognition and initial measurement (continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as "Held to collect" and measured at amortised cost.

Amortised cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Accounts receivable
- Related party receivables

Due to their short-term nature, the company initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Impairment of financial assets

Impairment losses of financial assets, including receivables, are recognised using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet been incurred, considering their measurement of past events and current conditions, as well as reasonable and supportable forecasts affecting collectability.

3. Significant accounting policies (continued)

(s) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The company's financial liabilities, which include accounts payables and long-term loans which are recognised initially at fair value.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. Significant accounting policies (continued)

(t) Fair value disclosures:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The company's financial instruments lack an available trading market. Further, the company has no financial instruments that are carried at fair value. The carrying value of the company's financial instruments approximates their fair value.

(u) Segment reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of the other segments.

The company's activities are limited to the distribution of batteries, tyres and accessories to consumers in Jamaica, operating in a single segment. As such no additional segment information is provided.

4. Cash and cash equivalents

	2021	2020
Cash and bank balances	123,659,995	235,069,935
Short-term Investments	50,168,922	27,432,632
	$173,828,917	262,502,567

Short-term investments earn interest at 1.5% to 2% (2020: 1.5% to 2%) per annum.

5. Accounts receivable

	2021	2020
Trade receivables	251,129,516	241,264,932
Others (see below)	122,980,184	75,313,355
	374,109,700	316,578,287
Less: Impairment loss	(22,873,719)	(16,591,693)
	$351,235,981	299,986,594

Others detailed as follows:

	2021	2020
General consumption tax	62,283,261	11,704,746
Staff loans*	33,550,016	31,639,766
Prepayments	7,529,629	16,175,345
Others	19,617,278	15,793,498
	$122,980,184	75,313,355

5. Accounts receivable (continued)

*These loans attract interest at rates ranging from 2.5% to 7% and are repayable over a period ranging from one to ten years from the date of disbursement. The difference between the fair value of the loans and their carrying value is not significant to the financial statements.

The company's exposure to credit and currency risks and impairment loss related to trade accounts receivables is disclosed in note 25(a).

6. Related party balances

		2021	2020
(a)	Due from related companies		
	Chukka Caribbean Adventure Limited	3,464,121	3,483,730
	Diverze Properties Limited- fellow subsidiary	153,936,378	150,565,484
		$157,400,499	154,049,214
(b)	Due from parent company		
	Dai Diverze (Jamaica) Limited- parent company	$ 23,385,227	23,385,227
(c)	Due to related company		
	Enrvate Limited- joint venture	$(5,000,000)	-

The above balances are unsecured, interest-free and repayable on demand.

		2021	2020
(d)	Interest in joint venture		
	Enrvate Limited	$ 5,000,000	-

During the year, the Company entered into a strategic partnership to provide energy saving solutions in the automobile industry. To carry out this mandate, Enrvate Limited ('Enrvate') was formed as part of an arrangement in which the company has joint control and a 50% ownership interest. Enrvate is not publicly listed. Enrvate is structured as a separate entity and the Company has residual interest in its net assets. Accordingly, the Company has classified its interest in Enrvate as a joint venture. In accordance with the agreement under which Enrvate is established, the Company and the other investor have agreed to seek additional contributions from selected partners of between J$24 million to $36 million in funding the operations over the next financial year, following which additional funding will be sought where required.

Transactions with related parties are disclosed in note 19(d).

7. Inventories

	2021	2020
Tyres	16,382,224	8,351,690
Batteries	229,135,713	130,828,274
Oils	35,021,502	30,189,343
Spent batteries	2,274,170	684,408
Accessories	86,165,712	68,816,884
Inventories-in-transit	242,884,284	64,698,181
	611,863,605	303,568,780
Provision for obsolescence	(3,270,227)	(3,959,410)
	$608,593,378	299,609,370

Inventories written off during the year amounted to $4,765,922 (2020: $11,325,914).

8. Accounts payable

	2021	2020
Trade payables	264,711,083	100,043,023
Other payables	62,964,954	15,468,310
	$327,676,037	115,511,333

9. Short-term loan

This represents an unsecured short-term loan facility from National Commercial Bank Jamaica Limited of $100 million which attracts interest at the rate of 7.5% per annum.

10. Intangible assets

	2021	2020
Brands	$38,133,005	38,133,005

These represents the acquisition of certain assets as part of the Caribrake and Autopower Brands. These assets are carried at cost as intangible assets with indefinite life, where it is reviewed for impairment on an annual basis to validate its indefinite life status.

11. Property, plant and equipment

	Computers	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:						
September 30, 2019	45,127,739	10,305,796	8,343,610	88,692,032	84,266,312	236,735,489
Additions	15,713,835	66,479,177	-	32,310,612	213,569	114,717,193
Disposal	-	-	-	-	(171,670)	(171,670)
September 30, 2020	60,841,574	76,784,973	8,343,610	121,002,644	84,308,211	351,281,012
Additions	8,295,722			38,057,459	3,087,391	49,440,572
Disposal	-	-	-	-	(7,000,000)	(7,000,000)
September 30, 2021	69,137,296	76,784,973	8,343,610	159,060,103	80,395,602	393,721,584
Depreciation:						
September 30, 2019	32,685,498	2,929,881	8,343,610	73,732,304	49,018,102	166,709,395
Charge for the year	3,473,230	1,273,484	-	5,128,328	12,874,110	22,749,152
Eliminated on disposal	-	-	-	-	(85,623)	(85,623)
September 30, 2020	36,158,728	4,203,365	8,343,610	78,860,632	61,806,589	189,372,924
Charge for the year	7,226,249	6,905,563	-	8,652,538	9,587,974	32,372,324
Eliminated on disposal	-	-	-	-	(4,719,087)	(4,719,087)
September 30, 2021	43,384,977	11,108,928	8,343,610	87,513,170	66,675,476	217,026,161
Net book values:						
September 30, 2021	$25,752,319	65,676,045	-	71,546,933	13,720,126	176,695,423
September 30, 2020	$24,682,846	72,581,608	-	42,142,012	22,501,622	161,908,088

Certain property, plant and equipment are held as security for a private placement of a $300 million bond (see note 17).

12. Leases

As a lessee

The company leases property and equipment. The leases typically run for 1 to 10 years. Previously, these leases were classified as operating leases under IAS 17. The company has elected not to recognise right-of-use assets and lease liabilities for leases that are short- term and/or leases of low-value items. Certain leased properties are held with related parties.

(a) Right-of-use assets

	Leasehold land and buildings	
	2021	2020
Balance at October 1	172,400,723	-
Additions	-	183,002,088
Depreciation charge for the year	(19,751,469)	(10,601,365)
Balance at September 30	$152,649,254	172,400,723

12. Leases (continued)

Information about leases for which the company is a lessee is presented below.

(b) Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

	2021 $	2020 $
Less than one year	27,427,971	27,116,337
One to five years	128,977,492	108,407,660
More than five years	60,002,197	108,000,000
	216,407,660	243,523,997
Less: future interest	(54,984,267)	(67,685,373)
Total discounted lease liabilities at year end	161,423,393	175,838,624
Less: current portion	(15,856,683)	(14,415,231)
Non-current	$145,566,710	161,423,393

(c) Amounts recognised in profit or loss

	2021 $	2020 $
Interest on lease liabilities	12,701,106	7,010,725
Depreciation on right-of-use assets	19,751,469	10,601,365
Short-term lease rentals	7,068,130	15,678,260

(d) Amounts recognised in the statement of cash flows

	2021 $	2020 $
Total cash outflow for leases	27,116,337	14,174,189

13. Employee benefits

(a) Employee benefits assets:

	2021	2020
Present value of funded obligations	(190,540,000)	(179,160,000)
Fair value of plan assets	244,947,000	214,677,000
Recognised pension asset	$ 54,407,000	35,517,000

13. Employee benefits (continued)

(b) Movement in the amounts recognised in the statement of financial position:

	2021	2020
Balance at beginning of year	35,517,000	41,678,000
Net expense in profit or loss and other comprehensive income	13,484,000	(11,273,000)
Contribution paid	5,406,000	5,112,000
Balance at end of year	$ 54,407,000	35,517,000

(c) Movements in funded obligations:

	2021	2020
Balance at beginning of year	(179,160,000)	(193,060,000)
Benefits paid	7,646,000	4,142,000
Interest cost	(16,124,000)	(12,549,000)
Current service cost	(14,834,000)	(14,052,000)
Re-measurement actuarial losses	11,932,000	36,359,000
Balance at end of year	$(190,540,000)	(179,160,000)

(d) Movement in plan assets:

	2021	2020
Fair value of plan assets at beginning of year	214,677,000	234,738,000
Contributions paid	14,745,000	13,923,000
Expected return on plan assets	19,417,000	15,194,000
Benefits paid	(12,619,000)	(15,921,000)
Re-measurement of actuarial gains/(losses)	8,727,000	(33,257,000)
Fair value of plan assets at end of year	$244,947,000	214,677,000
Plan assets consist of the following:		
Fixed-income securities and other investments	214,176,000	181,854,000
Net current assets	30,771,000	32,823,000
	$244,947,000	214,677,000

(e) Expense recognised in profit or loss, net:

	2021	2020
Interest on obligations and current service cost	$ 7,175,000	14,375,000

Total expense is recognised in administration, marketing and selling expenses in profit or loss.

13. Employee benefits (continued):

(f) Items in other comprehensive income:

	2021	2020
Re-measurement gains on obligations	11,932,000	36,359,000
Re-measurement gains/(losses) on plan assets	8,727,000	(33,257,000)
	$20,659,000	3,102,000

(g) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2021	2020
Discount rate	9.0%	9.0%
Long-term rate of inflation	6.0%	5.0%
Future salary increases	7.0%	7.0%

Assumptions regarding future mortality are based on PA (90) Tables for Pensioners (British Mortality Tables). The expected long-term rate is based on assumed long-term rate of inflation.

(h) Sensitivity analysis of key economic assumptions:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation.

	2021		2020	
	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
Discount rate	19,740	(24,303)	18,402	(23,247)
Future salary increases	(10,823)	9,415	(9,644)	8,386

(i) At September 30, 2021, the weighted average duration of the defined benefit obligation was 15.6 years (2020: 16.5 years).

14. Deferred taxation

(a) Deferred tax (liability)/asset is attributable to the following:

	2021	2020
Property, plant and equipment	(444,529)	523,737
Right-of-use assets	(38,162,314)	(43,100,181)
Employee benefits	(13,601,750)	(8,879,250)
Lease liabilities	40,355,849	43,959,656
	$(11,852,744)	(7,496,038)

(b) Movement in temporary differences during the year are as follows:

	October 1, 2020	Recognised in equity	Recognised in income [note 21(a)]	September 30, 2021
Property, plant and equipment	523,737	-	(968,266)	(444,529)
Right-of-use assets	(43,100,181)	-	4,937,867	(38,162,314)
Employee benefits	(8,879,250)	(5,164,750)	442,250	(13,601,750)
Lease liabilities	43,959,656	-	(3,603,807)	40,355,849
	$(7,496,038)	(5,164,750)	808,044	(11,852,744)

	October 1, 2019	Recognised in equity	Recognised in income [note 21(a)]	September 30, 2020
Property, plant and equipment	3,333,899	-	(2,810,162)	523,737
Right-of-use assets	-	-	(43,100,181)	(43,100,181)
Employee benefits	(10,419,500)	(775,500)	2,315,750	(8,879,250)
Accounts receivable	633,400	-	(633,400)	-
Lease liabilities	-	-	43,959,656	43,959,656
Accounts payable	2,019,517	-	(2,019,517)	-
Unrealised exchange loss	342,088	-	(342,088)	-
Taxation losses carried forward	25,458,969	-	(25,458,969)	-
	$21,368,373	(775,500)	(28,088,911)	(7,496,038)

15. Share capital

	2021	2020
Authorised:		
Unlimited ordinary shares of no par value	162,935,000	162,935,000
Less: Transaction costs of share issue	(6,259,700)	(6,259,700)
Stated, issued and fully paid:		
1,300,000,000 ordinary shares of no par value	$156,675,300	156,675,300

On August 25, 2020, the company unanimously passed a resolution that the authorised share capital of the company be increased from 187,000 to an unlimited number of shares.

On August 25, 2020, the company unanimously passed the following resolutions:

- To increase its issued shares from 185,000 to 250,000 ordinary shares;
- That each of the existing issued 250,000 ordinary shares in the capital of the company be divided into 4,550 ordinary shares resulting in 1,137,500,000 ordinary shares.

On September 29, 2020, the company increased its issued shares by 162,500,000 and made available to the public 325,000,000 shares. The shares were listed on the Junior Stock Market of the Jamaica Stock Exchange on September 29, 2020.

16. Capital contribution

This represents capital injection by the ultimate parent company.

17. Long-term loans

	2021	2020
(a) Related party loan	15,254,009	15,254,009
(b) Bonds	294,774,459	292,414,537
	$310,028,468	307,668,546

(a) This represents an unsecured loan from the ultimate parent company. This loan is interest-free and has no specified repayment date, however it will not be called within 1 year of the reporting date.

(b) In April 2019, the company authorised the private placement of secured J$ notes for an aggregate principal amount of up to $300 million. These bonds attract interest at the rate of 7.5% per annum and they mature in April 2024. The bonds are secured against debentures issued in favour of the Trustee, by way of a first fixed charge over certain assets of the company. The amount due is stated net of debt issuance costs of $5,225,541 (2020: $7,585,463).

18. Gross operating revenue

Gross operating revenue represents the invoiced value of sales after deduction of returns and is measured net of consumption taxes.

19. Expenses by nature and related party transactions

(a) Cost of operating revenue

	2021	2020
Tyres	17,994,292	11,417,469
Batteries	1,099,185,779	1,032,320,534
Spent batteries	61,664,627	80,521,566
Oils	125,887,158	27,479,038
Accessories	68,096,059	135,173,437
Inventory obsolescence	4,812,935	11,325,914
	$1,377,640,850	1,298,237,958

(b) Administration, marketing and selling expenses:

	2021	2020
Salaries, wages and related costs	259,176,381	254,501,692
Staff and canteen expenses	10,574,505	11,695,362
	$ 269,750,886	266,197,054
Other administration, marketing and selling expenses:		
Accommodation	971,762	3,366,535
Advertising	9,888,659	11,956,441
Audit fees	7,800,000	6,900,000
Commissions	-	242,912
Computer services	4,794,509	2,593,563
Director's remuneration	14,234,583	13,723,958
Electricity	10,990,151	9,408,175
Gas and oil	16,158,643	12,039,547
Insurance	13,454,305	6,366,816
Loss on disposal of property, plant and equipment	-	36,046
Miscellaneous expenses	6,673,249	12,840,006
Motor vehicle expenses	2,831,650	3,244,085
Postage and telephone	13,266,131	9,831,608
Printing and stationery	8,460,133	5,025,783
Professional fees	11,851,311	11,649,222
Rent, rates and taxes	7,068,130	16,045,009
Repairs and maintenance	19,564,829	19,179,176
Safety supplies	422,414	249,898
Sales promotion	3,717,980	6,637,534
Security	10,500,789	10,943,219
Subscription and donations	3,323,145	1,393,313
Travel and entertainment	8,270,480	10,266,637
	174,242,853	173,939,483
	$ 443,993,739	440,136,537

19. Expenses by nature and related party transactions (continued)

(c) Other operating income

	2021	2020
Gain on disposal of property, plant and equipment	1,519,087	-
Gain on disposal of investments	13,208,345	-
Other income	-	444,947
Miscellaneous	8,851,209	13,270,809
	$23,578,641	13,715,756

(d) Profit before depreciation, net finance costs and taxation is stated after charging/(crediting):

	2021	2020
	$	$
Directors' emoluments -as management	14,234,583	13,723,958
Directors fees	800,000	200,000
Compensation for key management:		
Short-term benefits	26,084,172	27,509,231
Transactions with related parties:		
Rental expense	24,000,000	12,000,000
Interest on lease liabilities	11,789,815	6,228,837
Professional fees earned	(5,075,000)	(5,000,000)

20. Net finance costs

	2021	2020
Finance costs:		
Loan interest	35,158,227	26,111,669
Lease interest	12,701,106	7,010,725
Bank charges	15,059,705	10,252,848
Loss on foreign exchange	58,465	1,648,887
	62,977,503	45,024,129
Finance income:		
Interest income	(3,634,501)	(2,374,833)
Gain on foreign exchange	(6,252,758)	-
Other finance income	-	(450,079)
	(9,887,259)	(2,824,912)
	$53,090,244	42,199,217

21. Taxation

(a) Income tax is computed at 25% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2021	2020
Current tax:		
Income tax at 25%	16,371,439	8,812,797
Less: Remission of income tax	(17,987,527)	(12,090)
Less: Employment tax credit	-	(2,441,722)
	(1,616,088)	6,358,985
Adjustment in respect of prior years	-	(3,208,122)
	(1,616,088)	3,150,863
Deferred taxation [note 14(b)]:		
Taxation losses	-	25,458,969
Origination and reversal of other temporary differences	808,044	2,629,942
	808,044	28,088,911
	$(808,044)	31,239,774

(b) Reconciliation of actual tax charge and effective tax rate:

	2021	2020
Profit before taxation	87,524,906	60,576,068
Computed "expected" tax expense @ 25%	21,881,227	15,144,017
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	3,178,646	2,945,999
Disallowable expenses	6,557,570	2,202,844
Tax losses recognised	(14,437,960)	16,608,848
Tax recognised in profit or loss	17,179,483	36,901,708
Less: Remission of income tax	(17,987,527)	(12,090)
Less: Employment tax credit	-	(2,441,722)
	(808,044)	34,447,896
Adjustment in respect of prior years	-	(3,208,122)
	$(808,044)	31,239,774

(c) As at September 30, 2021, subject to the agreement by Tax Administration Jamaica, tax losses available for set-off against future profits amounted to approximately $Nil (2020: $57 million). If unutilised, these losses can be carried forward indefinitely. However, the amount that can be utilised is restricted to 50% of chargeable income (before prior year losses) in any one year.

21. Taxation (continued)

(d) Remission of income tax

By notice dated August 13, 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 (JMJSE) if certain conditions were achieved after the date of initial admission.

Effective September 29, 2020, the company's shares were listed on the JMJSE. Consequently, the company is entitled to a remission of income taxes for ten years in the proportion set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5: (October 1, 2020 – September 30, 2025) – 100%
Years 6 to 10: (October 1, 2025 – September 30, 2030) – 50%.

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

22. Earnings per stock unit

	2021	2020
Profit for the year attributable to the shareholders of the company	$ 88,332,950	29,336,294
Number of ordinary stock units held during the year	1,300,000,000	872,536,202*
Earnings per stock unit	$ 0.068	0.034

The weighted average number of shares for the previous year reflects the 4550:1 split in the number of shares at August 25, 2020.

	2021	2020
Issued ordinary shares at the beginning of the year	-	841,750,000
Effect of shares issued during the year	-	30,786,202
*Weighted average	$ -	872,536,202

23. Dividends

On March 31, 2021, a dividend of $13,000,000 was declared to be paid to the shareholders on record as at September 30, 2021, with payments to be made on or about April 15, 2021.
Dividends declared were equivalent to 1.00 ¢ per ordinary share.

24. Contingent liabilities

The company has given guarantees in the ordinary course of business, under banking arrangements in the amount $20,600,000 (2020: $20,600,000). Additionally, a letter of credit was issued amounting to USD 140,000 (2020: USD 140,000) on behalf of the company in favour of a third party.

25. Financial instruments

Overview:

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and company's activities.

(a) 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. Credit risk arises principally from the company's receivables from customers and cash and cash equivalents.

Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit. The company generally does not require collateral in respect of financial assets, materially, trade receivables.

Maximum exposure to credit risk is represented by the carrying amount of financial assets on the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents are placed with substantial financial institutions with minimum risk of default. The company considers that cash resources have low credit risk. No material impairment allowances were recognised in the prior year and there was no change during the period.

Related party balances

The company assesses its ability to pay if payment is demanded at the reporting date. Management reviews recovery scenarios considering given economic conditions and the borrowers' liquidity over the expected life of the recoverable. The expected credit losses are calculated on this basis.

25. Financial instruments (continued)

(a) Credit risk (continued):

Accounts receivable

The company allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and the available press information about its customers) and applying experienced credit judgement.

The company uses a provision matrix to measure ECLs on trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at September 30 (see also note 5).

	2021			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		$	$	
0-30 days	0.50%	131,453,789	654,565	No
31-60 days	0.97%	47,641,461	461,745	No
61-90 days	2.41%	29,148,968	701,265	No
91-120 days	6.64%	9,488,345	629,704	No
121-150 days	12.76%	1,662,256	212,150	No
151-180 days	18.05%	7,844,105	1,415,750	No
181-210 days	23.07%	1,393,002	321,399	No
211-240 days	33.11%	1,866,991	618,068	No
241-270 days	44.38%	2,673,492	1,186,519	No
271-300 days	62.53%	3,267,091	2,042,838	No
301-330 days	79.44%	293,279	232,979	No
331-360 days	100.00%	2,349,739	2,349,739	Yes
More than 360 days	100.00%	12,046,998	12,046,998	Yes
		251,129,516	22,873,719	

25. Financial instruments (continued)

(a) Credit risk (continued):

Accounts receivable (continued)

	2020			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		$	$	
0-30 days	0.37%	127,443,928	468,497	No
31-60 days	0.71%	67,864,353	482,417	No
61-90 days	1.82%	15,718,881	286,446	No
91-120 days	5.32%	4,758,161	253,099	No
121-150 days	10.33%	1,790,897	185,028	No
151-180 days	14.79%	2,793,728	413,248	No
181-210 days	19.00%	2,785,094	529,219	No
211-240 days	27.49%	2,823,481	776,127	No
241-270 days	37.61%	745,405	280,373	No
271-300 days	53.96%	1,158,511	625,099	No
301-330 days	69.31%	3,552,379	2,462,026	No
331-360 days	100.00%	3,272,790	3,272,790	Yes
More than 360 days	100.00%	6,557,324	6,557,324	Yes
		241,264,932	16,591,693	

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	2021	2020
Balance at beginning of year	16,591,693	10,227,151
Impairment recognised	6,282,026	6,364,542
	$22,873,719	16,591,693

(b) Liquidity risk:

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities, by maintaining lines of credit with its bankers and by monitoring expenditure commitments.

25. Financial instruments (continued)

(b) Liquidity risk (continued):

The company's liquidity management process includes:

(i) Maintaining flexibility in funding by keeping lines of funding available with relevant suppliers and bankers, sourcing the appropriate currency through open market purchase to match foreign currency liabilities and by pursuing prompt payment policies.

(ii) Maintaining committed lines of credit.

Financial liabilities cash flows

The table below presents the undiscounted cash flows payable (both interest and principal cash flows) on the company's financial liabilities based on contractual repayment obligations at the reporting date.

	Within 1 year $	1 to 10 years $	Non-specific maturity $	Total $	Carrying amount $
September 30, 2021					
Accounts payable	327,676,037	-	-	327,676,037	327,676,037
Short-term loan	103,143,836	-	-	103,143,836	100,000,000
Long-term loans	22,500,000	339,375,000	15,254,009	377,129,009	310,028,468
Leases	27,427,971	188,979,688	-	216,407,659	161,423,393
	$480,747,844	528,354,688	15,254,009	1,024,356,541	899,127,898

	Within 1 year $	1 to 5 years $	Non-specific maturity $	Total $	Carrying amount $
September 30, 2020					
Accounts payable	115,511,333	-	-	115,511,333	115,511,333
Short-term loan	104,602,740	-	-	104,602,740	100,000,000
Long-term loans	22,500,000	361,875,000	15,254,009	399,629,009	307,668,546
Leases	27,116,337	216,407,660	-	243,523,997	175,838,624
	$269,730,410	578,282,660	15,254,009	863,267,079	699,018,503

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income. Market risk arises from fluctuations in the value of liabilities and the value of investments held. The company is exposed to market risk on certain of its financial assets. There is no significant exposure to equity price risk. Derivative financial instruments are not used to reduce exposure to market risk.

25. Financial instruments (continued)

(c) Market risk (continued):

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company materially contracts financial liabilities at interest rates for the duration of the loan. The bank loans are subject to interest rates which may be varied with appropriate notice by the lender.

Interests bearing financial assets are primarily represented by short-term bank deposits, which are contracted at fixed interest rates for the duration of the term.

At the reporting date the interest profile of the company's interest-bearing financial instruments was:

	Carrying amount 2021 $	Carrying amount 2020 $
Fixed rate:		
Liabilities	400,000,000	400,000,000
Variable rate:		
Assets	49,458,923	27,432,632

Fair value sensitivity analysis for fixed rate instruments

The company does not hold any fixed rate financial assets that are subject to material changes in fair value. Therefore, a change in interest rates at the reporting date would not affect profit or equity.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have (decreased)/increased profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	2021 Effect on profit		2020 Effect on profit	
	300bp increase	50bp decrease	100bp increase	100bp decrease
Cash flow sensitivity (net)	$1,483,768	(247,295)	274,326	(274,326)

(ii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

25. Financial instruments (continued)

(c) Market risk (continued):

(ii) Foreign currency risk (continued):

The company incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Jamaican dollar. Such exposures comprise the monetary assets and liabilities of the company that are not denominated in that currency. The main foreign currency risks of the company are denominated in United States dollars (US$), which is the principal intervening currency for the company.

The company manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

Exchange rates for the US dollar, in terms of Jamaica dollars, were as follows:

At September 30, 2021: $146.00
At September 30, 2020: $142.10

The table below shows the company's main foreign currency exposure at the reporting date:

	Net foreign currency monetary assets/(liabilities)			
	2021		2020	
	US$	J$	US$	J$
Cash and cash equivalents	220,148	32,141,608	108,485	15,415,719
Accounts payables	(1,639,025)	(239,297,650)	(573,830)	(81,541,243)
Net exposure	(1,418,877)	(207,156,042)	(465,345)	(66,125,524)

Foreign currency sensitivity analysis:

A 2% (2020: 2%) weakening of the United States dollar (US$) against the Jamaica dollar (J$) at the year-end would have increased profit by $4,143,121 (2020: J$1,322,510). This analysis assumes that all other variables in particular interest rates, remained constant.

A 8% (2020: 6%) strengthening of the United States dollar (US$) against the Jamaica dollar (J$) at the year-end would have decreased profit by $16,572,483 (2020: J$3,967,531). This analysis assumes that all other variables in particular interest rates, remained constant.

25. Financial instruments (continued)

(d) Fair value:

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of cash and cash equivalents, accounts receivable, related party receivables and accounts payable are assumed to approximate to their carrying value due to their short-term nature. The carrying value of the long-term loans is assumed to approximate fair value as the loans bear interest at market rates.

(e) Capital management:

The Board of Directors monitors the return on capital, which is defined as total shareholders' equity. The board's policy is to maintain adequate capital to sustain future development of the business. There are no externally imposed capital requirements for the company and there were no changes to capital management during the year.

26. Impact of COVID 19

After the first wave of the pandemic in early 2020, the country saw a slight rebound in economic activities, but was again hit with a second wave in mid to late 2020. While there was no significant business interruptions, the entity experienced some shipping delays from major suppliers in the United States, South Korea, and Columbia.

The work from home and social distancing procedures implemented to slow the spread of COVID-19, did not have a severe impact on company's distribution system. This was due to innovations and upgrades to the distribution strategy in recent years which enabled the company to minimize the effect of less consumer traffic.

Disclosure of Shareholdings

08 | Largest Ordinary Shareholders
Shareholdings of Directors
& Connected Parties
Shareholdings of Senior Managers

10 Largest Shareholders of Tropical Battery Co. Limited as at September 30, 2021

#	Symbol	Name of Shareholder	Units	Percentage Ownership
1	TROPICAL	DAI DIVERZE (JAMAICA) LIMITED	975,000,000	75.0%
2	TROPICAL	NCB CAPITAL MARKETS (CAYMAN) LTD	69,382,259	5.3%
3	TROPICAL	CONSCIOUS CAPITAL INC.	40,829,000	3.1%
4	TROPICAL	TROPICAL BATTERY COMPANY LIMITED CONTRIBUTORY PENSION	20,035,000	1.5%
5	TROPICAL	NCB CAPITAL MARKETS LTD. A/C 2231	5,505,860	0.4%
6	TROPICAL	DANIEL MELVILLE	5,000,000	0.4%
7	TROPICAL	SAGICOR SELECT FUND LIMITED - ('CLASS C' SHARES)	4,222,222	0.3%
8	TROPICAL	HERBERT L. HALL	4,000,000	0.3%
9	TROPICAL	HAZEL TOMLINSON	3,687,924	0.3%
10	TROPICAL	LLOYD BADAL	3,343,848	0.3%
		Total of Ten Largest Shareholders:	1,131,006,113	87.0%
		All Other Shareholders:	168,993,887	13.0%
		Total Shares Issued:	1,300,000,000	100.0%

Shareholdings of Directors as at September 30, 2021

#	Symbol	Shareholders 'Name	Relationship	# Shares Held Directly	# Shares Held though Connected Co.
1	TROPICAL	Marc Melville	DAI Diverze (Jamaica) Limited	-	975,000,000
2	TROPICAL	Alexander Melville	DAI Diverze (Jamaica) Limited	-	975,000,000
	TROPICAL	Alexander Melville	Conscous Capital Inc.	-	40,829,000
3	TROPICAL	Daniel Melville	DAI Diverze (Jamaica) Limited	5,000,000	975,000,000
4	TROPICAL	Ricardo Hutchinson	DAI Diverze (Jamaica) Limited	-	975,000,000
5	TROPICAL	Marc Ramsay	Operor Austus Limited	-	1,500,000
6	TROPICAL	Caryl Fenton	-		-

Shareholdings of Senior Executives as at September 30, 2021

#	Symbol	Shareholders 'Name	# Shares Held Directly	# Shares Held though Connected Co.
1	TROPICAL	Reshando Mais	300,000	-
2	TROPICAL	Stacy-Ann Spence	50,000	-
3	TROPICAL	Kamesha Robinson	907,924	-
4	TROPICAL	Stanley Wilson	120,000	-
5	TROPICAL	Claude Christie	50,000	-
6	TROPICAL	O'rane Grey	150,000	-
7	TROPICAL	Sandra Russel	360,000	-

Corporate Data

REGISTERED OFFICE
30 Automotive Parkway, Ferry Commercial Park,
Mandela Highway Kingston 20. P.O. Box 148. Jamaica W. I.

SERVICE CENTRES

Ocho Rios
Coconut Grove, Jamaica
(876) 974-8777-8
fax (876) 974-8712

Montego Bay
Catherine Hall Trade Centre
Montego Bay St. James Jamaica
(876) 971-6220
fax(876) 971-9408

Manchester
6 Villa Road
Mandeville Manchester Jamaica
(876) 625-0600,(876) 625-9083
fax (876) 625-9084

Kingston
1E Grove Road
Kingston 10, Jamaica
(876) 926-6615
fax (876) 926-7341

Kingston
15 Ashenheim Road
Kingston 11 Jamaica
(876) 923-6231,
(876) 923-6232
(876) 923-6233 or
fax (876) 757-3328

PRINCIPAL STOCKBROKERS & FINANCIAL ADVISERS
NCB Capital Markets Limited "The Atrium"
32 Trafalgar Road, Kingston 10
Stanley Thompson
Manager-Origination & Structuring
(876)935-2769]

AUDITORS
KPMG Jamaica
The Victoria Mutual Building
6 Duke Street Kingston

ATTORNEYS
Patterson Mair Hamilton
Temple Court 85 Hope Road
Kingston 6

ATTORNEYS
RamsaySmith
8 Lady Musgrave Road
Kingston 5,

ATTORNEYS
Clinton Hart & Co.
58 Duke Street
Kingston, Jamaica

REGISTRARS & TRANSFER AGENTS
Jamaica Central Securities Depositary
40 Harbour Street Kingston

FORM OF PROXY

Tropical Battery Company Limited

I/WE ____

____

of ____

being a member/members of Tropical Battery Company Limited hereby appoint

____

of ____

____

Or failing him/her ____

of ____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held in hybrid format (in person at 30 Automotive Parkway, Ferry Commercial Park, Mandela Highway, Kingston 20) and online on March 4, 2022 at 10am and at any adjournment thereof.

Signed this ______________ day of ______________________ 2022

______________________ Signature

______________________ Signature

Note: To be valid:

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
- If executed by a corporation, this proxy must be sealed. A corporate shareholder may appoint a representative in accordance with the Company's Articles of Incorporation, instead of appointing a proxy.
- This Form of Proxy must be received by the Registrar of the Company, 30 Automotive Parkway, Ferry Commercial Park, Mandela Highway, Kingston 20, not less than 48 hours before the time of the meeting.
- This Form of Proxy should bear stamp duty of $100.00. Adhesive stamps are to be cancelled by the person signing the proxy.

TROPICAL
BATTERY

www.tropicalbattery.com