



TROPICAL
BATTERY

Interim Report 1st Quarter

Period Ended December 31, 2021

(UNAUDITED)

WE'LL COME TO YOU



| | | | | |
|------------------------------|---|-----------------------------|---|---|
| REVENUE \$662M ↑ 46.8% | OPERATING EXPENSES \$115M ↑ 10.4% | EBITDA \$85M ↑ 137.1% | NET INCOME AFTER TAX \$57M ↑ 197.5% | EARNINGS PER SHARE \$0.04 ↑ 99.7% |
|------------------------------|---|-----------------------------|---|---|

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Interim Report to our Shareholders

Q1 FY2022 (Oct 1, 2021 to Dec 31, 2021)

Overview

We are grateful for a record quarter on many fronts; highest revenue, highest operating profit and the highest net income after tax ever recorded in a single quarter. Earnings per share doubled from \$0.02 a year ago to \$0.04 per share in Q1 FY 2022, another quarterly record for the company.

Tropical Battery Company took another step towards further diversifying its products and services in Q1 FY 2022 by retaining Oliver Hill to lead Tropical Mobility Limited, a new subsidiary providing electric mobility solutions. Two additional subsidiaries were created alongside Tropical Mobility, namely Tropical Energy Limited and Tropical Finance Limited, to better serve the needs of the renewable energy market, and to provide financial products and services that help expand access to electric vehicles and renewable energy systems, respectively.

Also, in Q1 FY2022, we established a partnership with one of North America's largest lithium-ion battery recyclers, positioning Tropical Battery as the go-to end-of-life solution for lithium-ion

batteries from electric vehicles and consumer electronics, thereby extending the scope of the company's existing recycling activities beyond lead acid automotive batteries. A consultant was retained to prepare the company to meet R2V3 Responsible Recycling standards, which also requires Tropical Battery to meet ISO 14001 and ISO 45001 environmental and health and safety standards. R2V3 certification will provide assurance to Tropical Battery's upstream and downstream partners that the company is handling lithium batteries in an environmentally responsible manner and improve the company's growth prospects in the recycling segment.

Community

Serving Customers

We do our best to enhance our customers' lives by providing them with quality products and services. The more customers we serve, the more impact we have. We reached over 25,000 customers this quarter, up from 23,500 customers in Q1 FY 2021 . Approximately 500 of these

| | | | | |
|------------------------------|---|-----------------------------|---|---|
| REVENUE ↑ \$662M 46.8% | OPERATING EXPENSES ↑ \$115M 10.4% | EBITDA ↑ \$85M 137.1% | NET INCOME AFTER TAX ↑ \$57M 197.5% | EARNINGS PER SHARE ↑ \$0.04 99.7% |
|------------------------------|---|-----------------------------|---|---|

customers are small and medium-size enterprise (SMEs), which earn a significant share of their revenue by reselling Tropical Battery's products. These valued resellers include independently owned gas stations, small auto parts stores, hardware stores and supermarkets.

Empowering Employees

We are happy to report that each of our team members received a Christmas bonus/incentive payment, and a Christmas cake. The per day lunch subsidy for staff was increased by more than 20% during the quarter, meanwhile, effective from November 1, 2021. We didn't have a lot of training conducted during the quarter, but two team members did receive training in Microsoft excel.

Our Ferry location hosted an outdoor staff Social and a farewell retirement party was held at the head office for Mr. Eric Banks, who served the company and its customers for 42 years. The celebration was attended by former Chairman Mr. Danny Melville, the Managing Director, our Senior Management Team, and several members of staff representing all our six branches, who gathered to wish Mr. Ebanks farewell.

At the end of Q1 FY 2022, Tropical Battery

had 122 team member on staff broken down by gender and age as follows:

Gender:

| | | |
|--------|---|----|
| Female | – | 40 |
| Male | – | 82 |

Age ranges:

| | | |
|-----------|---|----|
| 20 to 39 | - | 51 |
| 40 to 59 | - | 64 |
| 60 & over | - | 7 |

Approximately 43% of our Team Memembers now own shares in Tropical Battery, an achievement we are proud of, as it was one of our goals to broaden the ownership of the company through our IPO. We are happy that our team members continue to show this kind of material support, as shared ownership creates strong alignment.

The company continues to provide transportation to COVID-19 vaccination sites for employees to be vaccinated against the virus. Our weekly vaccination drive aims to help team members, their families, and the nearby community get vaccinated. To date the company's team is about 87% vaccinated.

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$662M | | \$115M | | \$85M | | \$57M | | \$0.04 | |
| 46.8% | | 10.4% | | 137.1% | | 197.5% | | 99.7% | |

Preserving our Environment

Our spent battery export sales fell to 98.5 metric tons for the quarter from 175.5 metric tons in Q1 FY 2021. The vessel that usually transports our spent battery exports ceased its operations in Q1 and no replacement vessel or alternate route for our cargo was identified, resulting in the lower volume. We plan to begin exporting spent batteries again as soon as possible, with the tentative resumption date set for February 2022. Collecting and exporting spent automotive batteries has a positive impact on the local and global environment thanks to the recovery of plastic lead, and is a practice the company is expanding to include lithium batteries after establishing a downstream partner in Kingston, Ontario-based Li-Cycle, North America's largest Li-ion recovery company.

Giving Back

Here at Tropical Battery, we take our corporate social responsibility seriously and continue to seek ways to assist our surrounding communities to empower themselves while also embarking on projects that we believe will enhance the lives of all our stakeholders, generally. In keeping with this commitment, a donation was made to the University Hospital of the West Indies to increase the available beds and improve the facilities available to accommodate Covid-19 patients.

Financial Highlights

Income Statement

Our revenues increased 47% from \$451 million in Q1 FY2021 to a new quarterly record of \$662 million in Q1 FY 2022. This increase of \$211 million was achieved through an increase in balanced inventory arrivals, and a tremendous effort on the part of our sales team to surpass targets by bringing in new customers. The new quarterly record is an achievement worth celebrating and inspires us to continue working hard to set new records in the coming quarters.

Gross profit came in at \$196 million, or approximately 44% above the same period last year. The gross profit margin was 29.7% of total revenue for the quarter, slightly lower than the 30.2% margin registered in the same quarter last year. The lower gross profit margin is attributable to the number of sales promotions launched in December as the economy rebounded thanks to the relaxing of restrictions on business activities relative to the previous year. Tropical Battery closed Q1 FY 2021 with a net profit after tax of \$56.7 million. If we can maintain this momentum, we will exceed our targets for FY 2022.

Operating expenses came in at \$114.5 million or 10% above last year's \$103.8 million. We are pleased to see operating

| | | | | |
|------------------------------|---|-----------------------------|---|---|
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|------------------------------|---|-----------------------------|---|---|

expenses growing at a slower pace than revenue. We are also pleased with our new inventory management system and how it effectively manages our stock variance, and with our team's demonstrated capacity to contain administrative expenses and reduce overall delivery costs per trip.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) came in at \$84.5 million for the quarter, representing a 137% increase over EBITDA of \$35.6 million in Q1 FY 2021. This increase represents an increase of nearly \$48.9 million increase in the company's quarterly EBITDA, year-over-year. Net profit came in at \$57 million, a record in the company's history for any single quarter, and 198% above the \$19 million registered in Q1 FY 2021.

Financial Position

The material changes on the balance sheet were increases in: inventory, \$440 million, up 101.4%; receivables, \$101 million, up 34.1%; payables, \$342 million, up 153.6%, and; retained earnings, \$128 million, up 17.0%. These increases allowed us to ramp up orders, increase our inventory, deal with the current growth in sales and, at the same time, avoid any shipping or transportation delays, which we had experienced in previous quarters.

Outlook

With our more-than-adequate levels of inventory, we see a bright year ahead. We are also currently expanding our top-selling retail store, located on Grove Road, just off Half Way Tree Road in Kingston, while will allow us to increase sales at this location even further, and achieve higher profitability, given that retail margins are better than our wholesale margins, while offering greater comfort and convenience for our team members and customers with a substantial increase in square footage. We plan to increase our retail presence island-wide in the coming quarters.

We continue to evaluate acquisition targets and new organic growth opportunities to expand our product and service offering into new verticals and geographies against the backdrop of strong growth in our core business segments..

Sincerely,

Alexander Melville
Managing Director

Daniel Melville
Deputy Managing Director

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$662M | | \$115M | | \$85M | | \$57M | | \$0.04 | |
| 46.8% | | 10.4% | | 137.1% | | 197.5% | | 99.7% | |

Tropical Battery Company Limited

Statement of Financial Position - (Unaudited)
December 31, 2021

| | Notes | Unaudited 31-Dec-21 | Unaudited 31-Dec-20 | Audited 30-Sep-21 |
|--------------------------------------|-------|-----------------------------|-----------------------------|-----------------------------|
| | | \$ | \$ | \$ |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 3 | 144,297,147 | 164,455,753 | 173,828,917 |
| Accounts receivable | 4 | 396,360,865 | 290,404,150 | 351,235,981 |
| Due from related companies | 5(a) | 174,023,603 | 180,885,333 | 157,400,499 |
| Due from parent company | 5(b) | 23,385,227 | 23,385,227 | 23,385,227 |
| Inventories | 6 | 873,358,843 | 433,665,685 | 608,593,378 |
| Taxation recoverable | | 560,783 | - | 525,060 |
| | | <u>1,611,986,468</u> | <u>1,092,796,148</u> | <u>1,314,969,062</u> |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 7 | 564,292,700 | 222,507,735 | 327,676,037 |
| Due to related party | | - | - | 5,000,000 |
| Short-term Loan | 9 | 100,000,000 | 100,000,000 | 100,000,000 |
| Current Portion of lease liabilities | | 14,856,683 | 14,415,231 | 15,856,683 |
| Taxation payable | | - | 5,860,229 | - |
| | | <u>679,149,383</u> | <u>342,783,195</u> | <u>448,532,720</u> |
| NET CURRENT ASSETS | | 932,837,085 | 750,012,953 | 866,436,342 |
| NON-CURRENT ASSETS | | | | |
| Intangible assets | | 38,133,005 | 38,133,005 | 38,133,005 |
| Investments | | - | 72,570,553 | - |
| Property, plant & equipment | | 169,367,866 | 166,251,621 | 176,695,423 |
| Right of use assets | | 147,711,347 | 167,252,244 | 152,649,254 |
| Employee benefits | 8 | 54,407,000 | 35,517,000 | 54,407,000 |
| Interest in joint venture | | 5,000,000 | - | 5,000,000 |
| | | <u>1,347,456,303</u> | <u>1,229,737,376</u> | <u>1,293,321,024</u> |
| Represented by: | | | | |
| SHAREHOLDERS' NET EQUITY | | | | |
| Share Capital | 10 | 156,675,300 | 156,675,300 | 156,675,300 |
| Contributed capital | | 459,207,861 | 459,207,861 | 459,207,861 |
| Accumulated profit | | 266,646,917 | 138,203,915 | 209,989,941 |
| | | <u>882,530,078</u> | <u>754,087,076</u> | <u>825,873,102</u> |
| NON-CURRENT LIABILITIES | | | | |
| Lease liabilities | | 143,045,013 | 158,125,794 | 145,566,710 |
| Long-term loans | 12 | 310,028,468 | 310,028,468 | 310,028,468 |
| Deferred tax liability | | 11,852,744 | 7,496,038 | 11,852,744 |
| | | <u>464,926,225</u> | <u>475,650,300</u> | <u>467,447,922</u> |
| | | <u>1,347,456,303</u> | <u>1,229,737,376</u> | <u>1,293,321,024</u> |

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



Chairman

Marc Melville



Alexander Melville

Managing Director

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

1st Quarter Fiscal Year 2022 vs 1st Quarter Fiscal Year 2021

| | | | | |
|------------------------------|---|-----------------------------|---|---|
| REVENUE \$662M ↑ 46.8% | OPERATING EXPENSES \$115M ↑ 10.4% | EBITDA \$85M ↑ 137.1% | NET INCOME AFTER TAX \$57M ↑ 197.5% | EARNINGS PER SHARE \$0.04 ↑ 99.7% |
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Tropical Battery Company Limited

Statement of Profit or Loss and Other Comprehensive Income - (Unaudited)

| | Q1 YTD (3 mths.) 31-Dec-21 | Q1 YTD (3 mths.) 31-Dec-20 | Audited 30-Sep-21 |
|--|----------------------------------|----------------------------------|----------------------|
| Gross operating revenue | 661,943,373 | 450,989,352 | 1,997,076,917 |
| Cost of Goods Sold | (465,589,867) | (314,699,633) | (1,377,640,850) |
| Gross Profit on Sales | 196,353,506 | 136,289,719 | 619,436,067 |
| Administration, marketing and selling expenses | (114,467,171) | (103,682,926) | (443,993,739) |
| Impairment loss on trade receivables | - | - | (6,282,026) |
| | (114,467,171) | (103,682,926) | (450,275,765) |
| Operating profit | 81,886,335 | 32,606,793 | 169,160,302 |
| Other operating income | 2,583,164 | 3,015,923 | 23,578,641 |
| Profit before depre., net financial costs and taxation | 84,469,499 | 35,622,716 | 192,738,943 |
| Depreciation | (16,137,907) | (8,998,479) | (52,123,793) |
| Profit before net financial costs and taxation | 68,331,592 | 26,624,237 | 140,615,150 |
| Finance costs | (15,305,483) | (13,555,934) | (62,977,503) |
| Finance income | 3,630,867 | 5,972,871 | 9,887,259 |
| Net finance costs | (11,674,616) | (7,583,063) | (53,090,244) |
| Profit before taxation | 56,656,976 | 19,041,174 | 87,524,906 |
| Taxation | - | - | 808,044 |
| Profit for the periods/year | 56,656,976 | 19,041,174 | 88,332,950 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Re-measurement gain on employee benefit assets | - | - | 20,659,000 |
| Related taxation on re-measurement | - | - | (5,164,750) |
| Other comprehensive income | - | - | 15,494,250 |
| Total comprehensive income for the periods/year | 56,656,976 | 19,041,174 | 103,827,200 |
| Earnings per stock unit | \$ 0.04 | \$ 0.02 | \$ 0.07 |

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|------------------------------|---|-----------------------------|---|---|

Tropical Battery Company Limited

Statement of Changes in Shareholders' Net Equity - (Unaudited)

| | Share capital | Capital contribution | Accumulated profit | Total |
|--|--------------------|----------------------|--------------------|--------------------|
| Balance as at October 1, 2019 | 370,000 | 459,207,861 | 87,499,947 | 547,077,808 |
| Issue of shares | 156,305,300 | - | - | 156,305,300 |
| Profit for the year | | | 29,336,294 | 29,336,294 |
| Re-measurement loss on employee benefit asset, net of taxation | | | 2,326,500 | 2,326,500 |
| Total comprehensive income | - | - | 31,662,794 | 31,662,794 |
| Balance as at October 1, 2020 | 156,675,300 | 459,207,861 | 119,162,741 | 735,045,902 |
| Profit for the quarter | | | 19,041,174 | 19,041,174 |
| Balance as at December 31, 2020 | 156,675,300 | 459,207,861 | 138,203,915 | 754,087,076 |
| Dividends | | | (13,000,000) | (13,000,000) |
| Re-measurement loss on employee benefit asset, net of taxation | | | 15,494,250 | 15,494,250 |
| Profit for the period, being comprehensive income | | | 69,291,776 | 69,291,776 |
| Total comprehensive income | - | - | 90,827,200 | 90,827,200 |
| Balance as at October 1, 2021 | 156,675,300 | 459,207,861 | 209,989,941 | 825,873,102 |
| Profit for the quarter | | | 56,656,976 | 56,656,976 |
| Total comprehensive income | - | - | 56,656,976 | 56,656,976 |
| Balance as at December 31, 2021 | 156,675,300 | 459,207,861 | 266,646,917 | 882,530,078 |

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

| | | | | |
|------------------------------|---|-----------------------------|---|---|
| REVENUE ↑ \$662M 46.8% | OPERATING EXPENSES ↑ \$115M 10.4% | EBITDA ↑ \$85M 137.1% | NET INCOME AFTER TAX ↑ \$57M 197.5% | EARNINGS PER SHARE ↑ \$0.04 99.7% |
|------------------------------|---|-----------------------------|---|---|

Tropical Battery Company Limited

Statement of Cash Flows - (Unaudited)

For the 3 Months Ended December 31, 2021

| | Q1 (3 Mths.) 31-Dec-21 | Q1 (3 Mths.) 31-Dec-20 | Audited 30-Sep-21 |
|---|---------------------------|---------------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit for the period | 56,656,976 | 19,041,174 | 88,332,950 |
| Adjustment to reconcile net profit for the period to net cash used by operating activities: | | | |
| Employee benefits | - | - | 1,769,000 |
| Depreciation | 16,137,907 | 8,998,479 | 52,123,793 |
| Taxation expenses | - | - | (808,044) |
| Interest on loans | 8,154,169 | 7,489,754 | 35,158,227 |
| Interest on lease liabilities | 2,911,426 | 3,920,259 | 12,701,106 |
| Amortisation of debt issuance costs | 1,306,385 | 1,306,385 | 2,022,790 |
| Interest income | (644,946) | (2,570,553) | (3,634,501) |
| Gain on disposal of investments | - | - | (13,208,345) |
| Gain on disposal of property, plant and equipment | - | - | (1,519,087) |
| | <u>84,521,918</u> | <u>38,185,498</u> | <u>172,937,889</u> |
| Changes in working capital: | | | |
| Accounts receivable | (46,466,992) | 8,276,059 | (51,249,387) |
| Due from related companies | (19,534,530) | (32,061,660) | (3,351,285) |
| Due to related party | (5,000,000) | - | 5,000,000 |
| Investments | - | (72,570,553) | - |
| Due from parent company | - | - | - |
| Inventory | (264,765,465) | (134,056,315) | (308,984,008) |
| Payables | 236,616,663 | 106,996,402 | 212,501,836 |
| Due from directors | - | - | - |
| Cash (used)/generated by operations | <u>(14,628,407)</u> | <u>(85,230,569)</u> | <u>26,855,045</u> |
| Interest received | 644,946 | 2,570,553 | 3,634,501 |
| Interest paid | (8,154,169) | (7,489,754) | (35,158,227) |
| Taxation paid | - | (71,116) | (6,456,405) |
| Net cash used by operating activities | <u>(22,137,630)</u> | <u>(90,220,886)</u> | <u>(11,125,086)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Investment encashed | - | - | (50,000,000) |
| Proceeds from the sale of investments | - | 7,585,463 | 63,208,345 |
| Proceeds from the sale of property, plant and equipment | - | - | 3,800,000 |
| Investment in joint venture | - | - | (5,000,000) |
| Purchase of property, plant and equipment | (8,810,348) | (13,342,012) | (49,440,572) |
| Net cash used by investing activities | <u>(8,810,348)</u> | <u>(5,756,549)</u> | <u>(37,432,227)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Payment of dividends | - | - | (13,000,000) |
| Payment of lease liabilities | 1,416,208 | (7,217,858) | (27,116,337) |
| Repayment of Long-term loan | - | 5,148,479 | - |
| Net cash provided/(used) by financing activities | <u>1,416,208</u> | <u>(2,069,379)</u> | <u>(40,116,337)</u> |
| Net decrease in cash and cash equivalents | (29,531,770) | (98,046,814) | (88,673,650) |
| Cash and cash equivalents at the beginning of the period/year | 173,828,917 | 262,502,567 | 262,502,567 |
| Cash and cash equivalents at the end of the period/year | <u>144,297,147</u> | <u>164,455,753</u> | <u>173,828,917</u> |
| Represented by: | | | |
| Cash and cash equivalents | <u>144,297,147</u> | <u>164,455,753</u> | <u>173,828,917</u> |

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

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$662M | | \$115M | | \$85M | | \$57M | | \$0.04 | |
| 46.8% | | 10.4% | | 137.1% | | 197.5% | | 99.7% | |

Tropical Battery Company Limited

Notes to the Financial Statements For the 3 Months Ended December 31, 2021

1. Corporate structure and principal activities

The company is incorporated 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's shares were listed on the Junior Market of the Jamaica Stock Exchange on September 29, 2020.

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

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

(a) Statement of compliance:

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

Freehold and Leasehold Building 2.5%

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$662M | | \$115M | | \$85M | | \$57M | | \$0.04 | |
| 46.8% | | 10.4% | | 137.1% | | 197.5% | | 99.7% | |

Tropical Battery Company Limited

Notes to the Financial Statements (Continued)
For the 3 Months Ended December 31, 2021

(b) Basis of preparation:

These condensed interim financial statements have been prepared in accordance with accounting policies set out in note 2 to the audited financial statements for the year ended September 30, 2021, and have been consistently applied.

In the interim financial statements no provision is made for Employee Benefits and Deferred Tax.

The unaudited interim financial statements are prepared in accordance with IAS 34 "Interim Financial Statements"

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

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

The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended September 30, 2021.

3. CASH and CASH EQUIVALENTS

Cash and bank balances
Short term investments

| Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|---------------------------|----------------------|
| \$ | \$ |
| 94,128,223 | 146,396,285 |
| 50,168,924 | 27,432,632 |
| <u>144,297,147</u> | <u>173,828,917</u> |

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$662M | | \$115M | | \$85M | | \$57M | | \$0.04 | |
| 46.8% | | 10.4% | | 137.1% | | 197.5% | | 99.7% | |

Tropical Battery Company Limited

Notes to the Financial Statements (Continued)

For the 3 Months Ended December 31, 2021

4 RECEIVABLES & PREPAYMENTS

| | Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|-------------------------------|---------------------------|----------------------|
| | \$ | \$ |
| Trade Receivables | 268,324,732 | 251,129,516 |
| Less: Provision for bad debts | (22,873,719) | (22,873,719) |
| | <u>245,451,013</u> | <u>228,255,797</u> |
| Other Receivables | 150,909,852 | 122,980,184 |
| | <u>396,360,865</u> | <u>351,235,981</u> |

5 RELATED PARTY BALANCES

| | Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|---|---------------------------|----------------------|
| | \$ | \$ |
| a) Due from related companies | | |
| Chukka Caribbean Adventure Limited | 3,469,329 | 3,464,121 |
| Diverze Properties Limited | 170,554,274 | 153,936,378 |
| | <u>174,023,603</u> | <u>157,400,499</u> |
| b) Due from parent company Dai Diverze (Jamaica) Limited | <u>23,385,227</u> | <u>23,385,227</u> |

6 INVENTORIES

| | Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|-------------------------------------|---------------------------|----------------------|
| | \$ | \$ |
| Inventories | 609,352,465 | 366,705,151 |
| Inventories - Spent Battery (Scrap) | 11,830,128 | 2,274,170 |
| Inventories-in-transit | 255,446,477 | 242,884,284 |
| | <u>876,629,070</u> | <u>611,863,605</u> |
| Provision for obsolescence | (3,270,227) | (3,270,227) |
| | <u>873,358,843</u> | <u>608,593,378</u> |

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

7 PAYABLES & ACCRUED CHARGES

| | Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|----------------|---------------------------|----------------------|
| | \$ | \$ |
| Trade payables | 478,527,077 | 264,711,083 |
| Other payables | 85,765,623 | 62,964,954 |
| | <u>564,292,700</u> | <u>327,676,037</u> |

| | | | | |
|------------------------------|---|-----------------------------|---|---|
| REVENUE \$662M ↑ 46.8% | OPERATING EXPENSES \$115M ↑ 10.4% | EBITDA \$85M ↑ 137.1% | NET INCOME AFTER TAX \$57M ↑ 197.5% | EARNINGS PER SHARE \$0.04 ↑ 99.7% |
|------------------------------|---|-----------------------------|---|---|

Tropical Battery Company Limited

Notes to the Financial Statements (Continued)
For the 3 Months Ended December 31, 2022

8 EMPLOYEE BENEFITS

Present value of funded obligations
Fair value of plan assets
Recognized pension asset

| Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|---------------------------|----------------------|
| \$ | \$ |
| (190,540,000) | (190,540,000) |
| 244,947,000 | 244,947,000 |
| <u>54,407,000</u> | <u>54,407,000</u> |

9 SHORT-TERM LOAN

This represents a short-term loan facility from National Commercial Bank Jamaica Limited which attracts interest at the rate of 7.5% per annum. The credit facility is referred to as the "Senior Unsecured Facility" and has a expiration date of February 28, 2022.

10 SHARE CAPITAL

Authorized:
Unlimited ordinary shares of no par value
Less: Transactions costs of share issue
Stated, issued and fully paid:
1,300,000,000 ordinary shares of no par value

| Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|---------------------------|----------------------|
| \$ | \$ |
| 162,935,000 | 162,935,000 |
| (6,259,700) | (6,259,700) |
| <u>156,675,300</u> | <u>156,675,300</u> |

11 GROSS OPERATING REVENUE

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

Net Battery Sales
Net Tyre Sales
Total Accessories
Net Sales before discounts
Discounts on All Products

Net Sales

| Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|---------------------------|----------------------|
| \$ | \$ |
| 591,264,497 | 1,729,102,767 |
| 8,051,176 | 22,819,341 |
| 67,416,961 | 259,399,528 |
| 666,732,634 | 2,011,321,636 |
| (4,789,261) | (14,244,719) |
| <u>661,943,373</u> | <u>1,997,076,917</u> |

12 LONG-TERM LOANS

- a) Related party loan
- b) Bonds

| Q1 (3 Mths.) 31-Dec-21 | Audited 30-Sep-21 |
|---------------------------|----------------------|
| \$ | \$ |
| 15,254,009 | 15,254,009 |
| 294,774,459 | 294,774,459 |
| <u>310,028,468</u> | <u>310,028,468</u> |

- a) The company has an unsecured loan from the ultimate parent company. This loan is interest-free and has no specified repayment date.

- b) In April 2019, the company authorized the private placement of secured J\$ notes for an aggregate principal amount of \$300 million. These bonds attract interest at the rate of 7.5% per annum and they mature in April 2024.

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$662M | | \$115M | | \$85M | | \$57M | | \$0.04 | |
| 46.8% | | 10.4% | | 137.1% | | 197.5% | | 99.7% | |



10 Largest Shareholders as at Dec. 31, 2021

| # | Symbol | Shareholders 'Name | # Shares | % |
|------------------------------------|----------|---|---------------|--------|
| 1 | TROPICAL | DAI DIVERZE (JAMAICA) LIMITED | 975,000,000 | 75.0% |
| 2 | TROPICAL | NCB CAPITAL MARKETS (CAYMAN) LTD | 68,882,259 | 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 | 5,726,248 | 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 | MR. PANKAJ ASHOK BHATIA | 3,099,662 | 0.2% |
| Total of Ten Largest Shareholders: | | | 1,130,482,315 | 87.0% |
| All Other Shareholders: | | | 169,517,685 | 13.0% |
| Total Shares Issued: | | | 1,300,000,000 | 100.0% |

Shareholdings of Directors

As at Dec. 31, 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 | Conscious 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 Executives

As at Dec. 31, 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 | Claude Christie | 50,000 | - |
| 5 | TROPICAL | O'rane Grey | 150,000 | - |
| 6 | TROPICAL | Sandra Russel | 360,000 | - |

1st Quarter Fiscal Year 2022 vs 1st Quarter Fiscal Year 2021

| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| \$662M | | \$115M | | \$85M | | \$57M | | \$0.04 | |
| 46.8% | | 10.4% | | 137.1% | | 197.5% | | 99.7% | |



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